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PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **November 1985**

Employment Sets New Record . . . But Sluggish Performance Continues

Pennsylvania's economy remained flat in September despite a record-setting level of employment. The index of coincident indicators fell 0.2 point to 87.1 percent of its January 1972 average. This follows a fall in July and no change in August. Continued sluggishness in the manufacturing sector smothered any chance for a rebound in the index.

Approximately 48 thousand Pennsylvania residents entered the labor force in search of work in September. The economy generated 43 thousand new jobs for a 0.8 percent seasonally adjusted gain. This pushed employment up to a record-high 5.16 million on an adjusted basis, bettering the old mark of 5.14 million set in March 1981. September employment was 3.6 percent above a year ago.

The difference between the increase in the labor force and the rise in employment represents the jump in the number of unemployed. The 432 thousand Pennsylvania residents counted as unemployed in September was up an adjusted 5 thousand from August but was down 85 thousand from a year ago. Not enough jobs were created to offset the increase in the labor force in September. Despite the rise in employment, the unemployment rate remained at 7.5 percent for the second straight month. The minimal increase in initial claims for unemployment insurance does not point to any significant near-term increase in unemployment.

In comparison, employment in the U.S. rose 0.5 percent in September and was 2 percent higher than a year ago. The number of individuals counted as unemployed was up 2.6 percent from August. The unemployment rate stood at 7.1 percent.

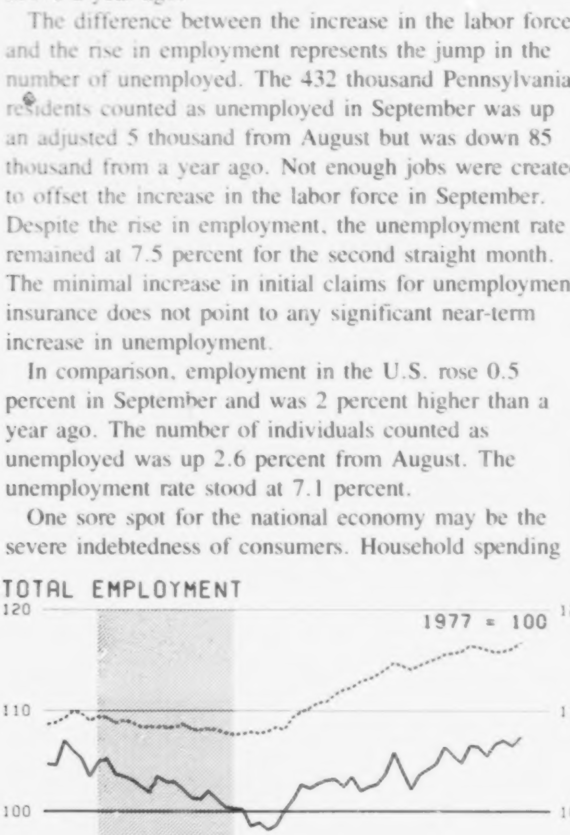
One sore spot for the national economy may be the severe indebtedness of consumers. Household spending has surged as of late. In the process, consumers have taken on extra debt and pushed the savings rate to an all-time low. Consumer spending may contribute little to economic growth once the household sector begins to reduce its debt burden.

The number of jobs in Pennsylvania nonagricultural establishments rose to 4.73 million on a seasonally adjusted basis for a slight 0.1 percent gain over August. This is the fifth consecutive increase and leaves establishment employment 1.3 percent higher than last year. Employment in the nation's establishments also rose by 0.1 percent in September.

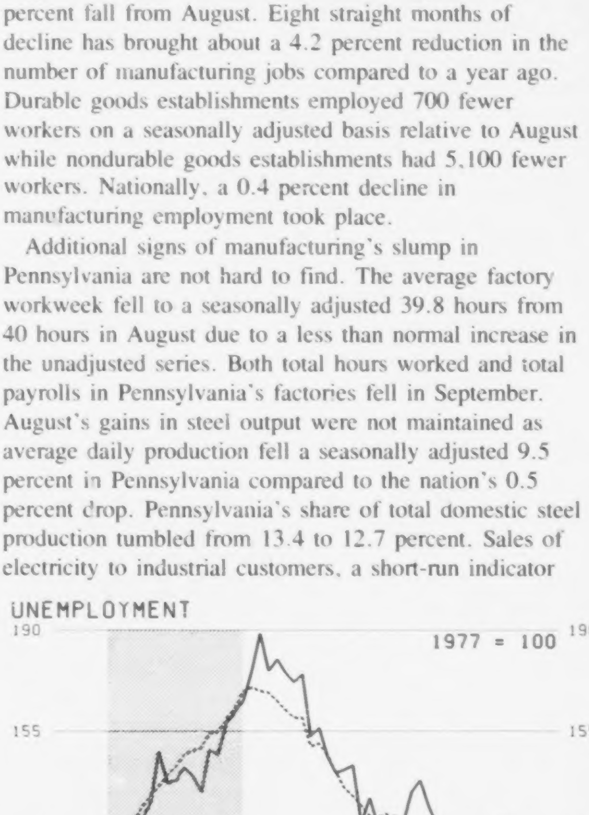
Employment in Pennsylvania's manufacturing sector dipped to 1.07 million for a seasonally adjusted 0.5 percent fall from August. Eight straight months of decline has brought about a 4.2 percent reduction in the number of manufacturing jobs compared to a year ago. Durable goods establishments employed 700 fewer workers on a seasonally adjusted basis relative to August while nondurable goods establishments had 5,100 fewer workers. Nationally, a 0.4 percent decline in manufacturing employment took place.

Additional signs of manufacturing's slump in Pennsylvania are not hard to find. The average factory workweek fell to a seasonally adjusted 39.8 hours from 40 hours in August due to a less than normal increase in the unadjusted series. Both total hours worked and total payrolls in Pennsylvania's factories fell in September. August's gains in steel output were not maintained as average daily production fell a seasonally adjusted 9.5 percent in Pennsylvania compared to the nation's 0.5 percent drop. Pennsylvania's share of total domestic steel production tumbled from 13.4 to 12.7 percent. Sales of electricity to industrial customers, a short-run indicator

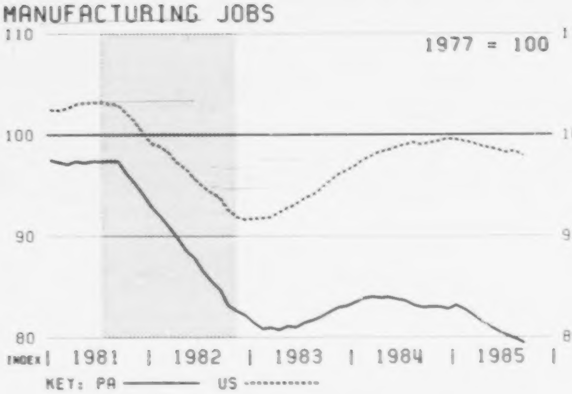
TOTAL EMPLOYMENT

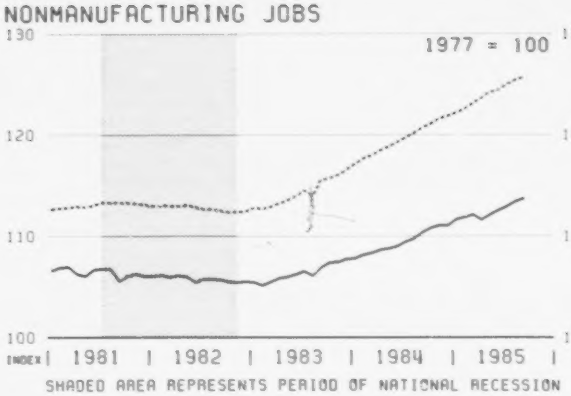


UNEMPLOYMENT



SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION





of industrial activity, fell an adjusted 0.5 percent.

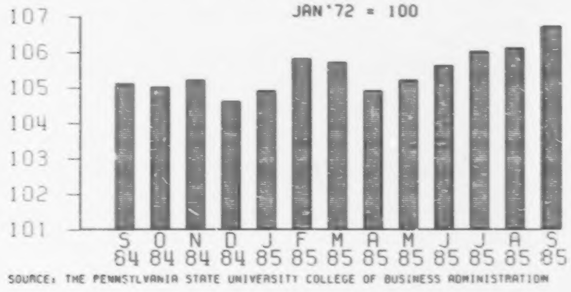
Gains in nonmanufacturing employment again offset manufacturing's losses in Pennsylvania. The number of jobs in these establishments rose a seasonally adjusted 0.3 percent to 3.66 million. This left the sector's employment 3 percent above a year ago. Nationally, a gain of 0.2 percent took place in September relative to the previous month. All of Pennsylvania's increase occurred in service-producing industries where 11 thousand jobs were added in September. State and local government employment surged, probably due to an increase in education-related jobs.

Activity in Pennsylvania's construction industry was down in September. The number of jobs in the industry fell 0.9 percent on a seasonally adjusted basis. Also, the value of construction contracts awarded dropped an

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1985		1984	1985		1984	1985		1984
	August	*Sept*	*Sept*	*August*	*Sept*	*Sept*	*August*	*Sept*	*Sept*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salaried jobs (thous.)[1]	4,740*	4,764	4,700	4,726*	4,730	4,669	103.5	103.6	102.3
Nonmanufacturing									
No. of wage and salaried jobs (thous.)	3,656*	3,678	3,571	3,655*	3,664	3,557	113.4	113.7	110.4
Manufacturing									
No. of wage and salaried jobs (thous.)	1,082*	1,078	1,124	1,071*	1,066	1,112	79.8*	79.4	82.9
Ave. wkly. hrs. worked by prod. workers	39.8	40.0	40.3	40.0	39.8	40.1	101.1	100.8	101.5
Total wkly. person-hours worked (mils.)	29.3*	29.4	31.3	29.2*	29.1	30.9	76.1	75.8	80.6
Total wkly. payroll (mil. dols.)	279.1*	281.5	292.4	279.9*	278.5	289.2	124.6*	123.9	128.7
Steel production (thous. tons)	954	881	961	n.a.	n.a.	n.a.	49.4	44.7	48.5
Industrial electric power sales (mil. kwh)	3,534	3,563	3,579	3,506	3,489	3,528	94.9	94.5	95.5
Mining									
Anthracite coal (thous. net tons)	302	281	445	252	263	425	51.6	53.9	87.0
Bituminous coal (thous. net tons)	5,136	n.a.	7,555†	4,779	n.a.	6,890†	67.8	n.a.	97.7†
Construction contracts awarded (mil. dols.)									
Total	740.4	640.0	522.5*	737.3	609.2	502.4*	229.2	189.4	156.2*
Residential building	328.1	305.4	198.2*	253.1	277.8	191.3*	179.8	197.4	135.9*
Other building	309.5	178.8	234.1*	383.8	152.8	214.0*	353.8	140.8	197.3*
Nonbuilding (utilities and public works)	102.8	155.9	90.1*	100.4	178.6	97.1*	138.5	246.4	134.0*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,252	5,202	5,019	5,119	5,162	4,981	106.5	107.4	103.6
Unemployed									
No. of persons (thous.)	412	395	480	427	432	517	106.6	107.8	128.8
Rate (percentage of labor force)	7.3	7.1	8.7						
Rate, seasonally adjusted				7.5	7.5	9.3			
Civilian labor force, no. of persons (thous.)	5,664	5,597	5,499	5,546	5,594	5,497	106.5	107.4	105.6
Initial claims for unemployment benefits	94,431	94,471	91,693	114,718	114,724	118,820	80.1	80.1	83.0

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1985		1984		
	August	*Sept*	*Sept*	*Month Ago*	*Year Ago*
U.S. city average	323.5	324.5	314.5	+0.3	+3.2
Philadelphia	315.8	316.5	303.9	+0.2	+4.1
Pittsburgh	325.9	n.a.	319.1†	n.a.	+2.1
Northeast PA	n.a.	306.8	298.2	n.a.	+2.9

NOTES: Data on employment, payrolls and hours have been revised to first quarter 1984 benchmarks.
[1] Total includes workers on strike. * = figure revised † = figure for August 1984 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.



PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS

SOURCE: THE PENNSYLVANIA STATE UNIVERSITY COLLEGE OF BUSINESS ADMINISTRATION

adjustec 17.4 percent to $609.2 million. All of the decline in contract values occurred in the nonresidential building category. There were gains in residential and nonbuilding contract values. Contract values were up 21.3 percent compared to last year.

Approximately 700 mining jobs were lost in Pennsylvania during September for a 1.9 percent seasonally adjusted fall. However, output in the Commonwealth's anthracite coal mines jumped an adjusted 4.5 percent.

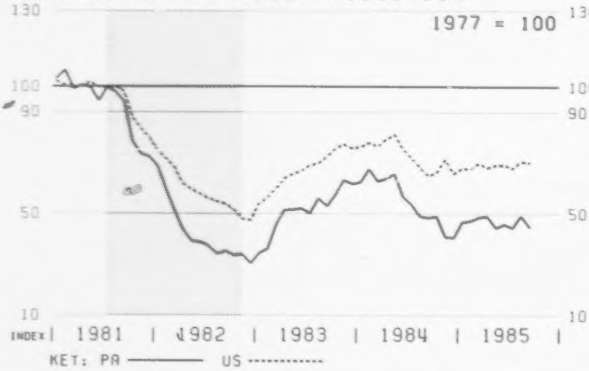
Despite the apparent sluggishness in the Pennsylvania economy, there are reasons for optimism. The index of leading indicators rose to 106.6 in September from a revised 106.1 in August on the strength of gains in residential construction activity. This is the fifth consecutuve increase in the index.

— *William D. Anderson*

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
February 1985	105.8	88.0	0.9	−0.3
March	105.7	88.2	−0.1	0.2
April	104.9	87.6	−0.8	−0.7
May	105.2	87.2	0.3	−0.5
June	105.6	87.7	0.4	0.6
July	106.0	87.3	0.4	−0.5
August	106.1	87.3	0.1	0.0
September	106.6	87.1	0.5	−0.2

AVERAGE DAILY STEEL PRODUCTION



Around the State

Statewide trends in the third quarter were as follows:

— Resident employment rose an adjusted 0.7 percent from the second quarter and 3.6 percent from a year ago. Unemployment fell a seasonally adjusted 9.2 percent and 18.7 percent over the same time periods. The unemployment rate stood at an adjusted 7.6 percent compared to 8.6 percent in the previous period and 9.6 percent a year ago.

— Nonagricultural establishment employment rose 0.5 percent on a seasonally adjusted basis from the second quarter and 1.5 percent from a year ago. While manufacturing employment has declined as of late, nonmanufacturing employment jumped an adjusted 1.1 percent from the previous period and 3.2 percent from 1984:IIIQ.

— Industrial power sales were down from earlier levels.

— The average factory workweek rose to a seasonally adjusted 39.9 hours per week from 39.6 hours. Last year, the average workweek stood at 40.1 hours.

— The value of residential construction contracts was 3 percent higher than in the second quarter and up by one-third from a year ago. Nonresidential awards rose 6 percent from the previous quarter and 5 percent from the third quarter of 1984.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

Total employment in the Harrisburg-Lebanon-Carlisle area rose for the sixth consecutive quarter, ending this year's third quarter at its highest level since record-keeping began for the area in 1975. Another 2 thousand residents found jobs, bringing the adjusted employment level to 300.3 thousand. Area employment increased 3.7 percent or 10.7 thousand over the year.

Meanwhile, the civilian labor force contracted slightly from second quarter's record-high level. Resident unemployment fell from an adjusted 18.2 thousand to 15.9 thousand. Together, these trends pushed the unemployment rate down to a seasonally adjusted 5 percent, the second lowest in the State.

Seasonally adjusted employment in the nonmanufacturing sector ended the quarter at a record-high 222.5 thousand. This represents an adjusted increase of 0.9 percent from the previous quarter and 2.9 percent from a year earlier. Employment in the sector has been increasing steadily since the first quarter of 1983.

The manufacturing sector, on the other hand, lost 900 workers, lowering the third quarter job level to a seasonally adjusted 50.9 thousand. Manufacturing in the MSA, as in other areas of the State, declined over the year and remained well below pre-recession averages. However, electric power sales, a short-run indicator of industrial activity, jumped an adjusted 15.5 percent over the quarter.

The declines in factory employment were enough to push total nonagricultural employment down an adjusted 0.1 percent to 273.4 thousand from second quarter's record high. Nonagricultural employment increased by 1.1 percent or 3.1 thousand workers from the third quarter of 1984.

The value of residential construction awards increased another 1 percent last quarter while nonresidential awards were valued nearly 50 percent higher. Over the year, the value of residential building contracts awarded increased 46 percent but the value of nonresidential awards declined 73 percent.

Lancaster

Once again, the Lancaster MSA had the distinction of having the lowest unemployment rate among the State's labor market areas in the third quarter. The seasonally adjusted rate of 4.6 percent was 0.2 percentage point less than in the previous period. The area's unemployment rate was pushed down by a reduction in the number of unemployed coupled with an increase in the civilian labor force.

The number of area residents counted as unemployed fell an adjusted 300 persons to 9.3 thousand. This follows a jump of 1.2 thousand between the first and second quarters of the year. The labor force, with 1.8 thousand new potential workers, was adjusted at 199.9 thousand, a new record. Resident employment increased by 2 thousand workers, ending the quarter at a record-setting 190.5 thousand on a seasonally adjusted basis.

Third quarter's record establishment employment level, 164.6 thousand, was due to strong gains in the nonmanufacturing sector. Ending the period with an adjusted total of 108.2 thousand employees, another new record, the sector gained 1.4 thousand workers over the quarter. There were 4.4 thousand more nonmanufacturing jobs than a year ago.

Mirroring trends across the State, manufacturing employment declined by 400 over the quarter in the Lancaster area. Factory employment fell 3.6 percent over the year and was 7.4 percent lower than pre-recession levels.

Industrial electric power sales were stable over the quarter and increased 2 percent over the year. The length of the average factory workweek rose 0.4 hour during the third quarter to 40.1 hours per week after seasonal adjustment. Construction activity in the area, as measured by the value of contracts awarded, tailed off last quarter, falling 18 percent and 5 percent in the residential and nonresidential areas, respectively. Contract values were, however, higher than a year ago.

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'85	*3 Q.'85*	*2 Q.'85*	*3 Q.'84*
Employment *(in thousands)*				
Employed, no. of residents	306.8	116	115	112
Unemployed, no. of residents	15.2	103	118	121
Rate, seasonally adjusted	5.0			
Civilian labor force, no. of residents	322.0	115	115	112
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	275.6	111	110	110
Nonmfg. only, no. of jobs	223.8	116	115	113
Mfg. only, no. of jobs	51.7	93	95	99
Hrs. worked by production workers in mfg., *ave. weekly*	39.5	n.a.	n.a.	n.a.
Industrial electric power sales	•••	82	71	93

Construction contracts awarded *(in millions of dollars)*	Total 3 Q.'85	Percentage Change *Quarter Ago*	Percentage Change *Year Ago*
Residential contracts only	57.0	+ 1	+46
Nonresidential contracts only	32.2	+47	−73

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

Philadelphia

Resident employment in the Philadelphia area increased a seasonally adjusted 1 percent last quarter to its highest level ever. Employment rose by 22.3 thousand residents to 2.16 million. As resident employment levels improved in the area, so did unemployment. The number of residents counted as unemployed decreased an adjusted 10.8 percent over the quarter to 129.5 thousand. This decline helped lower the unemployment rate 0.5 point to 5.8 percent on a seasonally adjusted basis, the third lowest in the State during the quarter.

A record was also set in the nonmanufacturing sector where 1.63 million were employed during the third quarter in the Philadelphia area. The number of nonmanufacturing jobs rose 1 percent over the quarter and 2.2 percent over the year.

Nonmanufacturing's gains helped push establishment employment to 2.02 million, a record-high. Factory

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'85	*3 Q.'85*	*2 Q.'85*	*3 Q.'84*
Employment *(in thousands)*				
Employed, no. of residents	195.3	121	120	117
Unemployed, no. of residents	8.5	113	117	127
Rate, seasonally adjusted	4.6			
Civilian labor force, no. of residents	203.7	121	120	117
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	165.4	116	116	115
Nonmfg. only, no. of jobs	108.4	128	126	123
Mfg. only, no. of jobs	57.0	99	100	103
Hrs. worked by production workers in mfg., *ave. weekly*	40.0	101	100	100
Industrial electric power sales	•••	122	122	120

Construction contracts awarded *(in millions of dollars)*	Total 3 Q.'85	Percentage Change *Quarter Ago*	Percentage Change *Year Ago*
Residential contracts only	44.8	−18	+ 8
Nonresidential contracts only	10.8	− 5	+19

[1] Lancaster County

employment, however, did not contribute to the area's economic expansion. Job levels in the sector fell 1.1 percent over the quarter and about the same over the year. Manufacturing employment stood 13.8 percent less than in 1979, the year before the two most recent recessions.

Not all economic indicators experienced upturns during the third quarter. The length of the average factory workweek declined to an adjusted 39.9 hours per week, the first time it has been below 40 hours since 1983:IVQ. Industrial electric power sales contracted 2.2 percent. Construction activity was mixed. The slight decline in the value of nonresidential construction contracts was offset by an increase in the value of residential building awards. Nonresidential contract values were up 27 percent relative to a year ago while residential values rose 47 percent.

Philadelphia Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'85	*3 Q.'85*	*2 Q.'85*	*3 Q.'84*
Employment *(in thousands)*				
Employed, no. of residents	2177.1	114	113	110
Unemployed, no. of residents	134.2	73	82	90
Rate, seasonally adjusted	5.8			
Civilian labor force, no. of residents	2311.2	111	110	109
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2016.1	110	110	109
Nonmfg. only, no. of jobs	1621.8	118	116	115
Mfg. only, no. of jobs	392.1	88	89	89
Hrs. worked by production workers in mfg., *ave. weekly*	39.8	100	101	102
Industrial electric power sales	• • •	99	101	99

Construction contracts awarded *(in millions of dollars)*	Total 3 Q.'85	Percentage Change *Quarter Ago*	*Year Ago*
Residential contracts only	470.7	+17	+47
Nonresidential contracts only	340.1	− 2	+27

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

Reading

The employment situation in the Reading area during the third quarter was similar to that in many other regions across the State. While nonmanufacturing job levels reached a new high, the manufacturing sector contracted.

Nonmanufacturing employment jumped an adjusted 0.9 percent to 94.2 thousand in the period. Employment in these establishments rose 5 percent over the year. Third quarter's gains were not large enough to offset the seasonally adjusted 2.5 percent reduction in the number of manufacturing jobs. The end result was a fall in nonagricultural employment from an adjusted 144.6 thousand in the second quarter to 144.1 thousand in the third.

Resident employment totaled 155.9 thousand on a seasonally adjusted basis, down 300 from the previous quarter. Employment was up 6.1 thousand from a year ago. The decline in the unadjusted level of unemployment was no larger than expected as the number of unemployed remained at 13.1 thousand on a seasonally adjusted basis for the second consecutive quarter. This, coupled with a slight decline in the area's labor force, pushed the adjusted unemployment rate up 0.1 percentage point to 7.7 percent. In the third quarter of 1984, the rate stood at 8 percent.

On the bright side, sales of electricity to industrial customers in the region rose an adjusted 4.6 percent. However, sales were down 1.1 percent from a year ago. The average factory workweek jumped 0.5 hour to 40.6 hours per week after seasonal adjustment. The workweek has not been below 40 hours since 1983:IIQ.

Construction activity, as measured by the value of contracts awarded, was mixed. The value of residential contracts, was down 17 percent from the second quarter but up 31 percent from a year ago. Nonresidential contract values were up 42 percent from the previous period but down 23 percent from last year.

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'85	*3 Q.'85*	*2 Q.'85*	*3 Q.'84*
Employment *(in thousands)*				
Employed, no. of residents	157.9	116	116	111
Unemployed, no. of residents	12.0	144	144	143
Rate, seasonally adjusted	7.7			
Civilian labor force, no. of residents	169.8	117	118	113
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	143.4	110	110	108
Nonmfg. only, no. of jobs	93.5	117	116	111
Mfg. only, no. of jobs	49.9	98	101	103
Hrs. worked by production workers in mfg., *ave. weekly*	40.3	104	102	103
Industrial electric power sales	• • •	123	118	124

Construction contracts awarded *(in millions of dollars)*	Total 3 Q.'85	Percentage Change *Quarter Ago*	*Year Ago*
Residential contracts only	26.2	−17	+31
Nonresidential contracts only	7.1	+42	−23

[1] Berks County

York

The York area economy ended the third quarter by setting several records on the employment front. Resident employment increased a seasonally adjusted 1.1 percent to a record-high 177.1 thousand. This left employment 4.4 percent higher than a year ago.

Unemployment declined by 900 residents over the quarter to an adjusted total of 14 thousand, partially offsetting the increase which occurred between the first and second quarters. The area's labor force rose to a record 191.1 thousand on a seasonally adjusted basis. These trends brought about a fall in the unemployment rate to a seasonally adjusted 7.3 percent. The rate stood at 7.7 percent in the second quarter and 8.5 percent last year.

After a slight decline in the second quarter,

York Area[1]

	Ave. mo. value 3 Q '85	Average monthly index seas. adj. (1977 = 100) 3 Q '85	2 Q '85	3 Q '84
Employment *(in thousands)*				
Employed, no. of residents	180.3	120	118	115
Unemployed, no. of residents	13.4	141	150	159
Rate, seasonally adjusted	7.3			
Civilian labor force, no. of residents	193.7	121	120	118
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	162.5	114	114	112
Nonmfg. only, no. of jobs	104.0	126	124	120
Mfg. only, no. of jobs	58.5	97	99	101
Hrs. worked by production workers in mfg., *ave. weekly*	40.9	99	99	101
Industrial electric power sales	•••	98	105	102

Construction contracts awarded *(in millions of dollars)*	Total 3 Q '85	Percentage Change *Quarter Ago*	*Year Ago*
Residential contracts only	37.0	+ 1	+34
Nonresidential contracts only	10.7	−12	−23

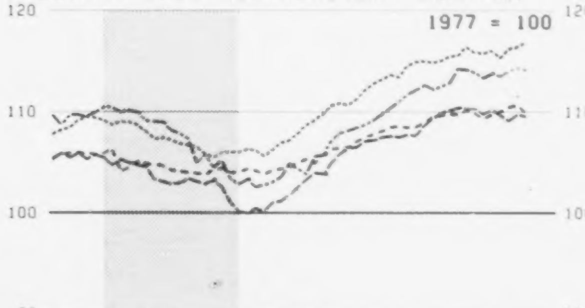
[1] Adams and York Counties

nonagricultural employment rose a seasonally adjusted 0.5 percent to 162 thousand, matching the record level set during the first three months of this year. Only the nonmanufacturing sector showed gains in employment. The sector added 1.9 thousand jobs to reach its highest employment level ever, 104 thousand after seasonal adjustment.

Factory workers did not fare as well. Adjusted employment declined 1.7 percent to 58.1 thousand, its lowest level in two years. Consequently, industrial power sales, a short-run indicator of industrial production, declined an adjusted 6 percent over the quarter. But as in other areas of the State, the length of the factory workweek increased 0.3 hour over the quarter to an adjusted 40.9 hours per week.

Construction activity was sluggish during the quarter. Residential contract values realized a minimal increase while nonresidential contract values declined 12 percent over the quarter. Relative to a year ago, contract values were up in the residential area but down for nonresidential construction.

INDUSTRY JOBS SOUTHEASTERN QUARTER



Northeastern Quarter

Allentown-Bethlehem

The Allentown-Bethlehem area achieved a record level of employment in nonmanufacturing establishments last quarter. Nonmanufacturing employment was up 1.5 thousand from the previous quarter to an adjusted 178.2 thousand workers.

Manufacturing did not fare as well. Another seasonally adjusted 700 factory jobs were lost for the third consecutive quarterly decline. This lowered manufacturing employment to 86.5 thousand, its lowest level since data collection began in 1962. Employment in the sector was 4.3 percent less than a year ago. Manufacturing's losses held the increase in nonagricultural employment to an adjusted 0.3 percent during the quarter and a mere 1.5 percent from a year ago.

The civilian labor force reached a record-high 319.4 thousand on a seasonally adjusted basis for an increase of 1.8 percent over the year. The 294 thousand residents counted as employed also set a new record. Third quarter's adjusted resident employment total represents a gain of 1.1 thousand from the previous period and 10.5 thousand over the year.

Total resident unemployment declined a seasonally adjusted 2.7 percent from the second quarter and 15.6 percent over the year. At 25.4 thousand, unemployment remained 27.3 percent above the 1979 average but 40.9 percent below 1983's record high.

Elsewhere, the average factory workweek rose to an adjusted 39.4 hours per week after hovering just above 39 hours for more than a year. Industrial electric power sales in the region fell a seasonally adjusted 0.2 percent in the quarter, but were 3.5 percent higher than a year ago.

The area's construction industry did slightly better last quarter. Residential contracts increased in value 2 percent over the quarter and 35 percent over the year. Nonresidential contract values rose 4 percent and 16 percent over the same time periods.

Scranton-Wilkes-Barre

The Scranton-Wilkes-Barre area economy grew slightly during the third quarter. Especially notable was the 5.5 thousand seasonally adjusted decline in area unemployment. With 30.3 thousand residents counted as unemployed, the jobless level was at its lowest since 1979.

A record level of resident employment and a slightly smaller civilian labor force helped push the seasonally adjusted unemployment rate down 1.1 percentage points to 9.1 percent. A year ago, the unemployment rate stood at 11.8 percent. Employment grew an adjusted 1.4 percent during the quarter. At a seasonally adjusted 315.3 thousand, there were 4.5 percent more residents employed relative to a year ago. Employment was at its

Allentown-Bethlehem Area[1]

	Ave mo. value 3 Q.'85	Average monthly index seas. adj. (1977 = 100) 3 Q.'85	2 Q.'85	3 Q.'84
Employment *(in thousands)*				
Employed, no. of residents	299.7	108	107	104
Unemployed, no. of residents	24.4	121	125	144
Rate, seasonally adjusted	7.7			
Civilian labor force, no. of residents	324.1	109	108	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	266.3	103	103	102
Nonmfg. only, no. of jobs	179.2	120	119	115
Mfg. only, no. of jobs	87.0	80	81	84
Hrs. worked by production workers in mfg., *ave. weekly*	39.6	103	102	102
Industrial electric power sales				
Metropolitan area	...	108	109	105
Allentown	...	103	104	101
Bethlehem	...	113	115	108
Easton	...	100	90	103

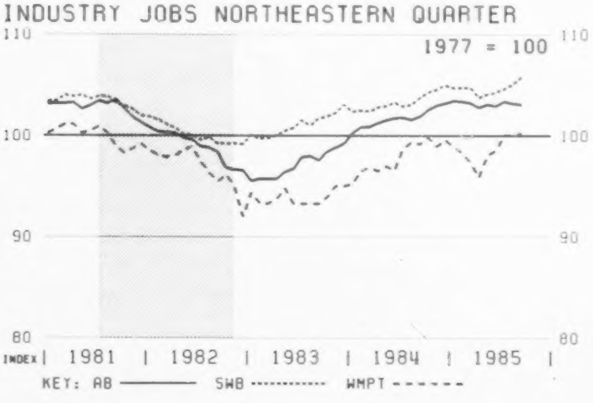
Construction contracts awarded *(in millions of dollars)*	Total 3 Q.'85	Percentage Change *Quarter Ago*	*Year Ago*
Residential contracts only	68.5	+2	+35
Nonresidential contracts only	26.2	+4	+16

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

highest level since data collection began in 1970 in both Lackawanna and Luzerne Counties.

The addition of 2.9 thousand new jobs in the area's nonmanufacturing establishments raised the sector's employment to its highest level ever, 200.5 thousand after seasonal adjustment. Factory employment fell by an adjusted 100 persons to 73.7 thousand during the quarter. The end result was a seasonally adjusted 1.1 percent jump in nonagricultural employment to 274.3 thousand, its highest level since 1979.

The area's construction industry showed improvement over the quarter. The value of residential contracts increased 8 percent during the quarter while nonresidential awards nearly doubled in value. Construction activity was mixed compared to third quarter 1984 levels. Residential contract values jumped a healthy 41 percent but nonresidential contracts remained 22 percent below year-ago values.



Williamsport

The Williamsport MSA showed improvement in all sectors of the economy during the third quarter. Total employment, at an adjusted 48 thousand residents, finally reached 1979 pre-recession averages. Employment was an adjusted 2.8 percent higher than in the previous quarter.

In falling an adjusted 1.1 thousand, the number of residents counted as unemployed dipped to its lowest level since 1979, 4.6 thousand. Coupled with a slight increase in the labor force, this pushed the seasonally adjusted unemployment rate down 2 percentage points to 8.7 percent. This is down 2.8 points from a year ago.

Williamsport was one of the few areas in the State where factory employment grew over the quarter. Employment rose a surprising 4.1 percent to an adjusted level of 15.2 thousand for the first increase since last year's fourth quarter. However, employment in the sector was still 15.8 percent lower than in 1979.

The nonmanufacturing sector set a new employment record during the third quarter. The number of jobs in the sector rose by 600 to a total of 30.8 thousand after seasonal adjustment. Employment in nonmanufacturing establishments increased by 500 workers over the year.

Also encouragaing was the adjusted 0.5 hour increase in the average factory workweek to 39.6 hours per

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 3 Q.'85	Average monthly index seas. adj. (1977 = 100) 3 Q.'85	2 Q.'85	3 Q.'84
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	322.2	110	109	106
Lackawanna County[2]	99.9	111	109	106
Luzerne County[3]	150.5	111	109	106
Unemployed, no. of residents				
Metropolitan area	30.4	95	112	125
Rate, seasonally adjusted	9.1			
Lackawanna County[2]	8.5	90	101	106
Luzerne County[3]	16.7	104	123	146
Civilian labor force, no. of residents				
Metropolitan area	352.6	109	109	108
Lackawanna County[2]	108.4	108	108	106
Luzerne County[3]	167.2	110	111	110
Local industries, Metropolitan area*(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	276.9	105	104	103
Nonmfg. only, no. of jobs	202.5	113	111	109
Mfg. only, no. of jobs	74.1	89	89	91
Hrs. worked by production workers in mfg., *ave. weekly*	38.0	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	...	101	101	103
Lackawanna County[2]	...	108	106	106
Luzerne County[3]	...	94	96	97
Hazelton	...	88	90	89
Wilkes-Barre	...	97	99	101

Construction contracts awarded *(in millions of dollars)*	Total 3 Q.'85	Percentage Change *Quarter Ago*	*Year Ago*
Residential contracts only	65.5	+ 8	+41
Nonresidential contracts only	34.3	+97	−22

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazelton
[4] Excludes Wyoming County

week, unchanged from a year ago. Electricity sales to industrial customers rose an adjusted 5.7 percent during the period. However, sales were down a startling 27.4 percent from a year ago.

Construction activity in the area also picked up during the third quarter. The value of contracts awarded jumped 23 percent in the residential area and tripled second quarter values for nonresidential construction. Both measures of activity were considerably higher than a year ago.

Williamsport Area[1]

	Ave mo. value 3 Q.'85	Average monthly index seas. adj. (1977 = 100) 3 Q.'85	2 Q.'85	3 Q.'84
Employment *(in thousands)*				
Employed, no. of residents	48.8	104	101	101
Unemployed, no. of residents	4.2	101	124	132
Rate, seasonally adjusted	8.7			
Civilian labor force, no. of residents	53.0	104	103	104
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	46.0	100	98	99
Nonmfg. only, no. of jobs	30.8	109	107	107
Mfg. only, no. of jobs	15.2	86	82	86
Hrs. worked by production workers in mfg., *ave. weekly*	39.6	102	100	102
Industrial electric power sales	***	80	76	110
		Percentage Change		
Construction contracts awarded *(in millions of dollars)*	Total 3 Q.'85	*Quarter Ago*		*Year Ago*
Residential contracts only	6.5	+ 23		+59
Nonresidential contracts only	19.2	+205		++

[1] Lycoming County

Northwestern Quarter

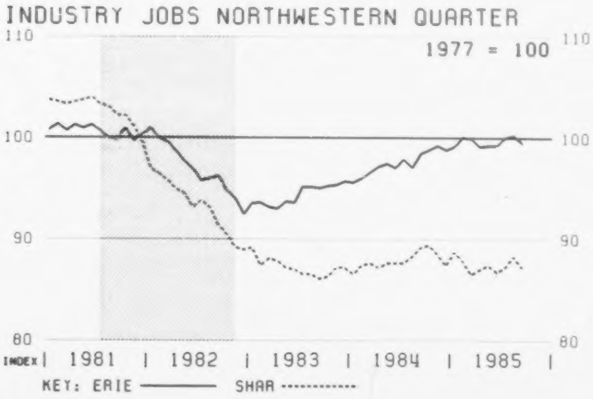
Erie

The employment situation in the Erie area last quarter was cloudy. Factory employment dropped to its lowest level since early 1984. There was an adjusted decline of 600 factory jobs over the quarter, pushing average monthly manufacturing employment down to 35.9 thousand. Employment was 19.8 percent less than the average level during 1979, the year before the two most recent recessions.

Meanwhile, nonmanufacturing employment rose a seasonally adjusted 1.8 percent to 74.2 thousand, the highest level on record. Employment in the sector was 3.3 percent higher than the year-earlier level. The end result was a slight 0.7 percent seasonally adjusted increase in total nonagricultural employment during the quarter.

Resident employment in the area rose by 600 to a seasonally adjusted 115 thousand last quarter. A year ago, there were 111.5 thousand area residents employed. The number of individuals counted as unemployed fell a seasonally adjusted 12.4 percent to 10.6 thousand during the period, the lowest level since 1980:IQ. This helped push the unemployment rate down 0.9 percentage point to 8.5 percent on a seasonally adjusted basis. The rate stood at 10.1 percent a year earlier.

The slump in manufacturing was reflected in another decrease in industrial power sales. Electricity sales, at their lowest level since 1984:IQ, dropped an adjusted 7.5 percent over the quarter and were 11.1 percent below third quarter 1984 levels. However, the average factory workweek rose an adjusted 0.8 hour to 42.3 hours per week, the highest level in the State. Increases in the workweek are often an indication of a future jump in manufacturing activity.



Construction activity dropped off last quarter. The value of residential contracts ended the quarter about two-thirds the value of contracts made a year earlier and about one-half the value from the previous quarter. Nonresidential contracts were valued 53 percent less than second quarter awards and remained 26 percent less than a year ago.

Sharon

The number of jobs in Sharon area manufacturing establishments rose a slight seasonally adjusted 1 percent during the third quarter, going against the downward trend evident throughout much of the State. Despite the gain, the 10.2 thousand workers in the sector represent a 6.4 percent reduction from a year ago. Factory employment was 39.6 percent below 1979 levels.

Nonmanufacturing establishments added a seasonally adjusted 200 workers during the period, erasing the previous quarter's decline. Third quarter's 29.5 thousand workers represent the highest level of employment in the sector since 1982:IIIQ.

Despite the addition of 300 jobs during the quarter, employment in the Sharon area's nonagricultural establishments stood 0.8 percent less than a year ago.

Although manufacturing employment picked up somewhat over the quarter, sales of electrical power to industries declined a seasonally adjusted 11.2 percent. Industrial power sales are a short-run indicator of industrial activity.

Resident employment in the area rose an adjusted 0.7 percent in the quarter to 44.4 thousand. This left employment 1.8 percent higher than last year and at its highest level since 1982:IIIQ. The number of residents counted as unemployed fell by an adjusted 800 persons to its lowest level since the second quarter of 1981. This

Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'85	*3 Q.'85*	*2 Q.'85*	*3 Q.'84*
Employment *(in thousands)*				
Employed, no. of residents	118.2	105	104	101
Unemployed, no. of residents	9.8	116	133	138
Rate, seasonally adjusted	8.5			
Civilian labor force, no. of residents	128.0	105	106	104
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	110.9	100	99	98
Nonmfg. only, no. of jobs	74.6	110	108	106
Mfg. only, no. of jobs	36.3	84	85	84
Hrs. worked by production workers in mfg., *ave. weekly*	42.2	103	101	103
Industrial electric power sales	•••	87	94	98

		Percentage Change	
Construction contracts awarded *(in millions of dollars)*	Total 3 Q.'85	*Quarter Ago*	*Year Ago*
Residential contracts only	8.9	−49	−32
Nonresidential contracts only	13.1	−53	−26

[1] Erie County

helped lower the unemployment rate 1.3 percentage points to a seasonally adjusted 9.2 percent. Last year, the unemployment rate stood at 12.8 percent.

Residential construction contract values were down nearly one-third from the second quarter and 12 percent from a year ago. Nonresidential contract values, on the other hand, rose more than 300 percent over the quarter and were 53 percent higher than a year ago.

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'85	*3 Q.'85*	*2 Q.'85*	*3 Q.'84*
Employment *(in thousands)*				
Employed, no. of residents	45.3	92	92	91
Unemployed, no. of residents	4.2	111	132	158
Rate, seasonally adjusted	9.2			
Civilian labor force, no. of residents	49.4	94	95	96
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	39.8	88	87	88
Nonmfg. only, no. of jobs	29.3	102	101	100
Mfg. only, no. of jobs	10.4	63	62	67
Industrial electric power sales	•••	93	104	106

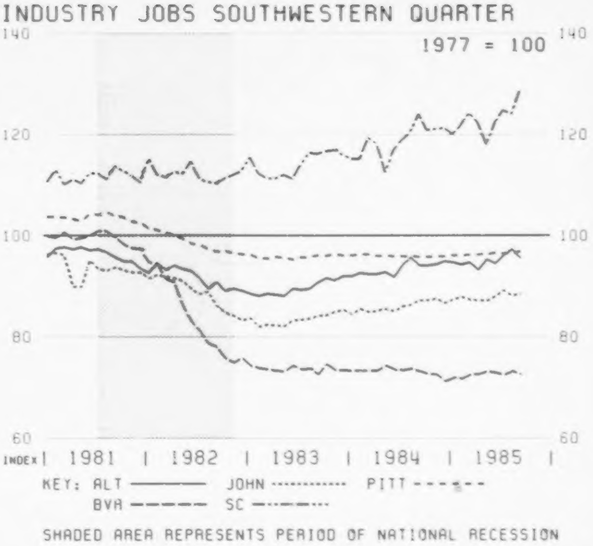
		Percentage Change	
Construction contracts awarded *(in millions of dollars)*	Total 3 Q.'85	*Quarter Ago*	*Year Ago*
Residential contracts only	5.2	− 32	−12
Nonresidential contracts only	6.6	+313	+53

[1] Mercer County

Southwestern Quarter

Altoona

The manufacturing and nonmanufacturing sectors of the Altoona economy both showed gains in employment last quarter. Job levels in nonmanufacturing industries rose from a seasonally adjusted 37.4 thousand in the second quarter to 38.2 thousand in the third . In rising to its highest level since the first quarter of 1980, nonmanufacturing employment stood 3.2 percent higher than a year ago.


INDUSTRY JOBS SOUTHWESTERN QUARTER

SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

Manufacturing employment increased by a slight 200 workers to an adjusted third quarter level of 11.1 thousand. This only partially offsets the second quarter's loss of 400 jobs. These establishments employed 300 fewer workers than a year ago.

The length of the average factory workweek rose for the second straight quarter. In increasing 0.4 hour to 39.7 hours per week after seasonal adjustment, the workweek reached its highest level since 1979.

Total resident employment rose for the sixth straight quarter. At 52.2 thousand, employment was an adjusted 2.2 percent higher than in the previous quarter and 4.2 percent higher than in 1984:IIIQ. The civilian labor force increased 1.7 percent on an adjusted basis last quarter in the Altoona area. There was a seasonally

Altoona Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'85	*3 Q.'85*	*2 Q.'85*	*3 Q.'84*
Employment *(in thousands)*				
Employed, no. of residents	53.8	101	99	97
Unemployed, no. of residents	5.5	146	150	156
Rate, seasonally adjusted	10.1			
Civilian labor force, no. of residents	59.3	104	102	101
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	50.0	96	94	95
Nonmfg. only, no. of jobs	38.8	100	98	97
Mfg. only, no. of jobs	11.2	84	84	87
Hrs. worked by production workers in mfg., *ave. weekly*	39.8	104	103	103
Industrial electric power sales	•••	81	82	85

		Percentage Change	
Construction contracts awarded *(in millions of dollars)*	Total 3 Q.'85	*Quarter Ago*	*Year Ago*
Residential contracts only	4.0	−47	− 46
Nonresidential contracts only	4.3	−16	+617

[1] Blair County

adjusted 3.3 percent fall in the number of unemployed residents. Together, these events helped lower the unemployment rate 0.2 point to a seasonally adjusted 10.1 percent. A year ago, 11.3 percent of the Altoona labor force was without work.

Both industrial power sales and construction activity in the area slackened a bit during the third quarter. Industrial power sales decreased an adjusted 1.7 percent over the period and 5.2 percent from the year-ago quarter. Third quarter residential building contracts were at about one-half their value in the previous quarter and a year ago. Nonresidential contracts fared better: although they decreased in value by 16 percent over the quarter, they were more than seven times higher in value than contracts awarded a year ago.

Johnstown Area[1]

	Ave. mo. value 3 Q.'85	Average monthly index seas. adj. (1977 = 100) 3 Q.'85	2 Q.'85	3 Q.'84
Employment *(in thousands)*				
Employed, no. of residents	92.8	93	91	88
Unemployed, no. of residents	10.9	112	122	140
Rate, seasonally adjusted	11.6			
Civilian labor force, no. of residents	103.6	95	94	94
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	78.6	89	87	86
Nonmfg. only, no. of jobs	66.3	98	97	95
Mfg. only, no. of jobs	12.4	58	58	59
Hrs. worked by production workers in mfg., *ave. weekly*	38.0	98	94	94
Industrial electric power sales	•••	155	148	152

Construction contracts awarded *(in millions of dollars)*	Total 3 Q.'85	Percentage Change *Quarter* Ago	*Year* Ago
Residential contracts only	11.4	–26	–7
Nonresidential contracts only	5.2	–64	–5

[1]Cambria and Somerset Counties

Johnstown

The third quarter was one of recovery in the Johnstown area. Resident employment, adjusted to 90.2 thousand workers, was at its highest level since the first quarter of 1982. Employment rose a seasonally adjusted 1.5 percent or 1,300 workers over the quarter for its tenth consecutive quarterly advance. Last year, 86.1 thouand Johnstown residents were employed. Unemployment declined 8.4 percent to an adjusted level of 12 thousand. This is down from 15 thousand last year and leaves the number of unemployed at its lowest level since 1980:IQ.

The unemployment rate fell closer to pre-recession levels, dropping 1.1 percentage points over the quarter to 11.6 percent on an adjusted basis. The rate, although the second highest among the State's labor market areas, was 11.7 points lower than its record set in 1983.

As elsewhere in the State, job gains were realized in the area's nonmanufacturing sector. At a seasonally adjusted 65.5 thousand, employment in the sector increased 1.7 percent over the quarter and 3.3 percent over the year. Despite those gains, nonmanufacturing employment remained nearly 7 percent below the 1979 average level.

The job gains helped push total nonagricultural employment up to an adjusted level of 77.7 thousand, a 1.3 percent increase from the second quarter. But the gains in establishment jobs were restricted by continued declines in manufacturing. Although unadjusted data showed no change in manufacturing employment, after seasonal adjustment there was a decrease of 100. Factory job levels also declined by 300 over the year and remained 40 percent below the 1979 average level.

Despite this fall in manufacturing employment, industrial power sales ended the quarter an adjusted 4.8 percent higher than during the second quarter and 1.7 percent higher than in the third quarter of last year. The average factory workweek rose a seasonally adjusted 1.5 hours to 38.2 hours per week. This represents the largest jump in the State.

The area's construction industry slackened during the quarter. Residential contracts declined in value 26 percent while nonresidential contracts declined 64 percent. Residential and nonresidential contracts declined by 7 and 5 percent, respectively, over the year.

Pittsburgh-Beaver Valley

While hard times continued for manufacturers in the Pittsburgh-Beaver Valley area, increases in nonmanufacturing employment helped keep third quarter jobless levels in check. The Beaver County area once again had the State's highest unemployment rate, an adjusted 12.7 percent. However, this is down from the previous period's 13.9 percent. The reduction partially reflects an adjusted 9.9 percent decrease in resident unemployment to 10 thousand. Resident employment fell a seasonally adjusted 0.9 percent in Beaver County to 68.6 thousand.

The unemployment rate fell in the four-county Pittsburgh region from a seasonally adjusted 10 percent in the second quarter to 9 percent in the third, a significant improvement from the 1983 high of 15.5 percent. Similarly, unemployment levels were at their lowest since 1981. There were 11.1 thousand fewer residents out of work during the third quarter relative to the second and 31.5 thousand fewer than a year ago. Resident employment in the Pittsburgh region increased slightly to an adjusted 879.2 thousand.

At a seasonally adjusted 705.8 thousand, there was a record number of workers in the Pittsburgh area nonmanufacturing sector. Nonmanufacturing employment has risen in the area six consecutive quarters. In Beaver County, nonmanufacturing job levels increased for the fourth consecutive quarter, ending the period at an adjusted 40.1 thousand. This is up from the second quarter's 39.4 thousand.

Gains in total nonagricultural employment were once again restricted by continued declines in factory job levels. Manufacturing employment declined to its lowest level since data collection began in 1975. In the Pittsburgh area, 2.9 thousand jobs were lost in the sector, resulting in an adjusted employment level of

Pittsburgh[1]-Beaver Valley Area

	Ave. mo. value 3 Q.'85	Average monthly index seas. adj. (1977 = 100) 3 Q.'85	2 Q.'85	3 Q.'84
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	898.8	101	101	98
Beaver County	69.0	76	76	75
Unemployed, no. of residents				
Pittsburgh[1]	84.2	137	155	187
Beaver County	10.3	153	171	162
Unemployment Rate, seas. adj.				
Pittsburgh[1]	9.0			
Beaver County	12.7			
Civilian labor force, no. of residents				
Pittsburgh[1]	983.0	104	105	104
Beaver County	79.4	81	83	81
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	847.4	97	96	96
Beaver County	54.5	73	73	73
Nonmfg. only, no. of jobs				
Pittsburgh[1]	710.5	108	108	106
Beaver County	39.7	105	104	102
Mfg. only, no. of jobs				
Pittsburgh[1]	136.6	62	63	66
Beaver County	14.9	40	42	46
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	40.7	n.a.	n.a.	n.a.
Beaver County	38.7	n.a.	n.a.	n.a.
Industrial electric power sales	***	65	68	74

Construction contracts awarded *(in millions of dollars)*	Total 3 Q.'85	Percentage Change *Quarter Ago*	*Year Ago*
Residential contracts only			
Pittsburgh[1]	124.6	− 3	+28
Beaver County	7.2	−14	+ 9
Nonresidential contracts only			
Pittsburgh[1]	199.4	+15	+62
Beaver County	1.4	−77	+40

[1] Allegheny, Fayette, Washington and Westmoreland Counties

135.2 thousand during the quarter. This represents the sixth consecutive quarterly decline registered in the sector. In Beaver County, adjusted factory employment dropped 800 during the quarter to 15.2 thousand.

The sluggishness in the area's manufacturing sector was apparent in last quarter's seasonally adjusted 4 percent decline in industrial power sales. Electricity sales fell 11.2 percent relative to year-ago levels.

The area's construction industry also showed declines over the quarter. Only nonresidential contract values in the Pittsburgh region improved during the three-month period. Construction in all sectors, however, improved from year-earlier levels.

State College

During a time when most areas in the State recorded declines in factory employment, manufacturing job levels in the State College area reached an all-time high last quarter. With an adjusted level of 8.1 thousand workers, manufacturing employment was 3.8 percent higher than a quarter earlier and 1.3 percent higher than the 1984 third quarter level.

In addition, the seasonally adjusted labor force, resident employment, and nonmanufacturing job levels all set new records. The civilian labor force topped out at 56.3 thousand, up 1 thousand from the previous quarter. Resident employment increased by 1.6 thousand over the quarter to 52.6 thousand. Nonmanufacturing employment, at 43.1 thousand, was 1.7 thousand higher than the second quarter level.

The number of State College area residents counted as unemployed stood at 3.7 thousand. While not a record low, it is 14 percent less than in the previous period. As conditions improved, the area's unemployment rate dropped 1.2 percentage points to 6.6 percent on a seasonally adjusted basis, the lowest it has been since 1980:IQ.

State College Area[1]

	Ave. mo. value 3 Q.'85	Average monthly index seas. adj. (1977 = 100) 3 Q.'85	2 Q.'85	3 Q.'84
Employment *(in thousands)*				
Employed, no. of residents	52.8	127	123	119
Unemployed, no. of residents	3.4	139	164	172
Rate, seasonally adjusted	6.6			
Civilian labor force, no. of residents	56.2	128	126	122
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	50.2	126	121	121
Nonmfg. only, no. of jobs	42.2	126	121	121
Mfg. only, no. of jobs	8.0	126	122	124
Industrial electric power sales	***	100	100	106

Construction contracts awarded *(in millions of dollars)*	Total 3 Q.'85	Percentage Change *Quarter Ago*	*Year Ago*
Residential contracts only	19.0	− 6	+ 70
Nonresidential contracts only	14.6	+595	+198

[1] Centre County

Nonresidential construction in the State College area took off during the third quarter. Contracts awarded increased in value almost seven times from second quarter levels and nearly tripled third quarter 1984 values. Residential construction contracts decreased in value slightly last quarter but remained 70 percent above year-ago levels.

— Anita J. Katz and
William D. Anderson

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PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **December 1985**

Signs Of A Manufacturing Rebound?

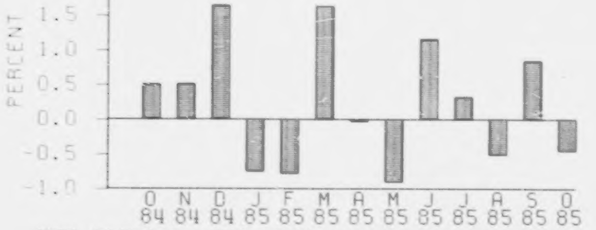
Although the number of jobs in Pennsylvania establishments rose for the sixth straight month in October, the economy remained in neutral, continuing to give mixed signals. The number of nonagricultural jobs rose by a seasonally adjusted 12 thousand to 4.75 million, the highest level since August 1981. A similar increase took place in the nation. There were 4.68 million establishment jobs last year.

For the first time since January 1985, the number of jobs in Pennsylvania manufacturing establishments rose. At a seasonally adjusted 1.07 million, there were 400 more jobs in the sector compared to September. The increase, the result of a less than normal decline in the unadjusted series, still left manufacturing job levels 4.2 percent below a year ago. All of October's gain was attributable to an increase in the number of durable goods jobs. Job levels in nondurable goods industries fell. Nationally, the number of manufacturing jobs rose an adjusted 0.2 percent from September but fell 1 percent from a year ago.

The number of jobs in Pennsylvania nonmanufacturing establishments rose to a record-high 3.68 million on a seasonally adjusted basis in October. This represents an increase of 12 thousand or 0.3 percent from September. A similar advance took place in the number of jobs in the nation's nonmanufacturing sector. Among the leaders were the retail trade and services industries. Relative to a year ago, job levels were up 110 thousand or 3.1 percent. Except for a slight decline in April 1985, the number of nonmanufacturing jobs in Pennsylvania has risen continously since September 1983.

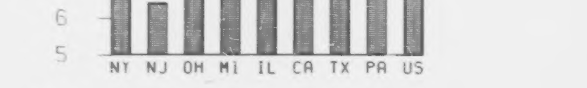
Pennsylvania resident employment fell to 5.14 million on a seasonally adjusted basis from September's record-high 5.16 million. On the surface, this appears to contradict October's rise in establishment jobs; however, a brief look at definitional differences should clear up any confusion. Resident employment figures are obtained through a survey of Pennsylvania residents as part of the nation's *Current Population Survey*. In addition to those residents employed in establishments, the survey also counts some domestic workers, the self-employed, unpaid family workers and agricultural workers. Establishment data are obtained through a survey of the Commonwealth's employers as part of the nationally coordinated *Current Employment Statistics Survey*. This survey picks up out-of-state workers and counts multiple job-holders more than once. Clearly, there are several reasons why employment growth trends may differ considerably between the resident and establishment series. Furthermore, there are sampling errors associated with these surveys. It is possible that resident and establishment employment actually moved in the same direction in October but the surveys failed to pick this up.

The number of Pennsylvanians counted as unemployed rose by a seasonally adjusted 3 thousand to 435 thousand. This helped push the unemployment rate up an adjusted 0.2 percentage point to 7.7 percent. The nation's unemployment rate stood at 7.1 percent. Significant improvement was registered on the unemployment front over the course of a year in Pennsylvania. In October 1984, 8.8 percent of the Pennsylvania labor force was out of work and 490 thousand were counted as unemployed.


PENNSYLVANIA RESIDENT EMPLOYMENT GROWTH RATES

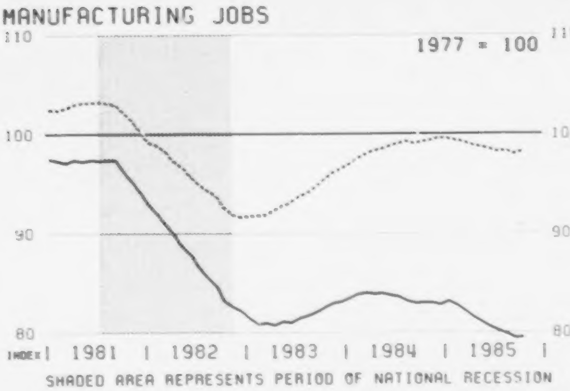
(SEASONALLY ADJUSTED)

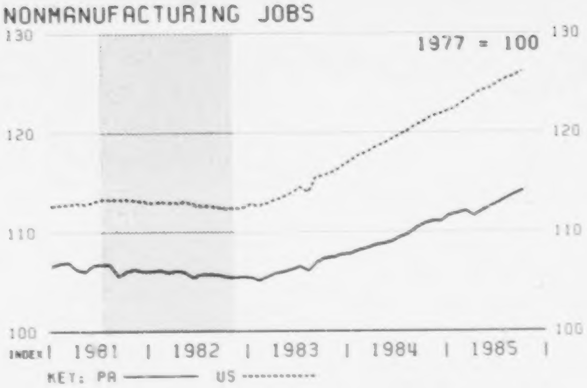
SOURCE: THE PENNSYLVANIA STATE UNIVERSITY COLLEGE OF BUSINESS ADMINISTRATION


OCTOBER 1985 UNEMPLOYMENT RATES FOR SELECTED STATES

(SEASONALLY ADJUSTED)

SOURCE: US.DEPT.OF LABOR, BUREAU OF LABOR STATISTICS





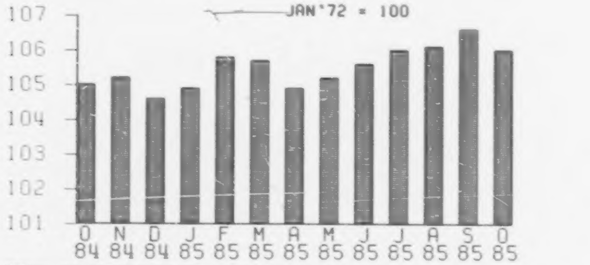
In addition to the increase in the number of jobs in the sector, there were several other indications of a rebound in manufacturing activity in October. The average factory workweek stood at a seasonally adjusted 39.9 hours per week. This is up from 39.7 hours in September but down from October 1984's 40 hours. Total hours worked and factory payrolls also rose after seasonal adjustment. Sales of electricity to industrial customers, a short-run indicator of industrial output, rose an adjusted 2.4 percent from the previous month but were slightly below year-ago levels. Steel output in Pennsylvania rose for the second time in three months. October's seasonally adjusted 4.4 percent jump on an average daily basis still left output below a year ago.

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1985		1984	1985		1984	1985		1984
	Sept	*Oct*	*Oct*	*Sept*	*Oct*	*Oct*	*Sept*	*Oct*	*Oct*
Pennsylvania Industries									
All nonagricultural industries No. of wage and salary jobs (thous.)¹	4,768*	4,800	4,730	4,734*	4,747	4,683	103.7*	104.0	102.6
Nonmanufacturing No. of wage and salary jobs (thous.)	3,682*	3,718	3,607	3,668*	3,680	3,570	113.8*	114.2	110.8
Manufacturing									
No. of wage and salary jobs (thous.)	1,078*	1,073	1,119	1,066*	1,067	1,113	79.5*	79.5	82.9
Ave. wkly. hrs. worked by prod. workers	39.9*	39.9	40.0	39.7*	39.9	40.0	100.6*	101.1	101.2
Total wkly. person-hours worked (mils.)	29.3*	29.2	30.9	29.0*	29.1	30.8	75.6*	75.8	80.2
Total wkly. payroll (mil. dols.)	280.8*	279.7	288.0	277.7*	279.9	288.2	123.6*	124.6	128.3
Steel production (thous. tons)	898*	961	994	n.a.	n.a.	n.a.	45.5*	47.4	49.1
Industrial electric power sales (mil. kwh)	3,563	3,567	3,609	3,489	3,574	3,595	94.5	96.8	97.4
Mining									
Anthracite coal (thous. net tons)	281	371	367	263	323	320	53.9	66.1	65.6
Bituminous coal (thous. net tons)	4,944	n.a.	6,951†	4,566	n.a.	6,661†	64.7	n.a	94.4†
Construction contracts awarded (mil. dols.)									
Total	640.0	658.3	664.4*	609.2	655.2	684.4*	189.4	203.7	212.7*
Residential building	305.4	315.5	246.2*	277.8	280.5	222.9*	197.4	199.3	158.4*
Nonresidential building	178.8	243.8	321.8*	152.8	218.1	282.9*	140.8	201.1	260.8*
Nonbuilding (utilities and public works)	155.9	99.1	96.5*	178.6	156.6	150.5*	246.4	216.1	207.7*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,202	5,237	5,103	5,162	5,139	5,005	107.4	106.9	104.2
Unemployed									
No. of persons (thous.)	395	400	456	432	435	490	107.8	108.6	122.3
Rate (percentage of labor force)	7.1	7.1	8.2						
Rate, seasonally adjusted				7.5	7.7	8.8			
Civilian labor force, no. of persons (thous.)	5,597	5,637	5,559	5,594	5,574	5,496	107.4	107.1	105.6
Initial claims for unemployment benefits	94,471	119,603	131,518	114,724	121,743	129,647	80.1	85.0	90.6

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1985		1984	*Month*	*Year*
	Sept	*Oct*	*Oct*	*Ago*	*Ago*
U.S. city average	324.5	325.5	315.3	+0.3	+3.2
Philadelphia	316.5	317.4	303.7	+0.3	+4.5
Pittsburgh	n.a.	328.4	321.1	n.a.	+2.3
Northeast PA	306.8	n.a.	298.2†	n.a.	+2.9

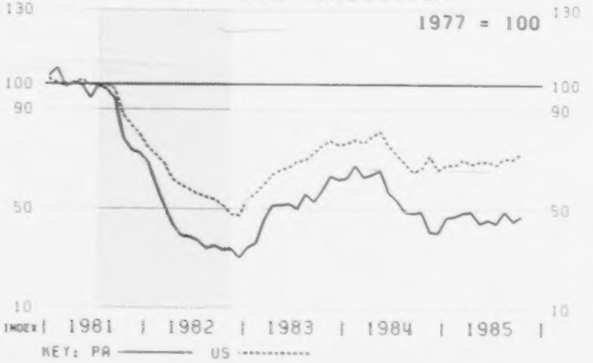
NOTES: Data on employment, payrolls and hours have been revised to first quarter 1984 benchmarks.
¹ Total includes workers on strike. * = figure revised † = figure for September 1984 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY COLLEGE OF BUSINESS ADMINISTRATION

AVERAGE DAILY STEEL PRODUCTION



SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

Nationally, steel output rose an adjusted 3.6 percent. Pennsylvania's gains were strong enough to raise its share of total domestic production 0.1 percentage point to 13.1 percent.

Employment in Pennsylvania's coal mines rose a seasonally adjusted 600 to 35.7 thousand in October. Anthracite coal output increased a surprising 22.7 percent after seasonal adjustment.

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
February 1985	105.8	88.0	0.9	−0.3
March	105.7	88.2	−0.1	0.2
April	104.9	87.6	−0.8	−0.7
May	105.2	87.2	0.3	−0.5
June	105.6	87.7	0.4	0.6
July	106.0	87.3	0.4	−0.5
August	106.1	87.3	0.1	0.0
September	106.4	87.0	0.3	−0.3
October	106.0	86.8	−0.4	−0.2

The news was also encouraging on the construction front. Employment in the industry rose by 4.3 thousand to a seasonally adjusted 200.7 thousand. The value of contracts awarded rose to an adjusted $655.2 million from $609.2 million in September. There was a slight increase in the value of residential awards to go along with a strong surge in nonresidential contract values. Nonbuilding awards declined in value.

Recent increases in prices have been moderate. Nationally, consumer prices rose just 3.2 percent over the October 1984-October 1985 period. Many believe that the Fed can now loosen its hold on credit availability in an effort to spur the economy without much fear of reigniting inflation.

Despite the improved situation in manufacturing, the Pennsylvania index of coincident indicators fell 0.2 point. Two of the three components of the index, resident employment and real earnings by manufacturing workers, fell. The third component, the number of manufacturing jobs, rose. The index of leading indicators fell for the first time in six months. All of the 0.4 point decline was the result of an increase in initial claims for unemployment insurance. The average workweek and residential construction contract values rose.

— *William D. Anderson*

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THE MID-ATLANTIC IN TRANSITION: EMPLOYMENT CHANGES FROM 1974 TO 1984

(This article, a summary of a study completed by the author entitled "The Mid-Atlantic in Transition: Employment Trends, 1974-1984," is the first of two articles dealing with employment change in the Mid-Atlantic region.)

Change is occuring in the economy of the Mid-Atlantic region. There have been significant shifts in the amount, industry-mix and location of business activity in New York, New Jersey and Pennsylvania, the three States of the region. The shifts are due to a variety of forces, including stiff competion from other regions and from abroad.

The rapid changes in the region's economy suggest a need for a look at recent trends. A review of what has been happening in the major economic sectors of the region offers insights into the strengths and weaknesses of the region and clues to the shape of the future. Employment trends during the 1974-1984 decade are especially informative for they cover important structural shifts occuring between the late 1970's and mid-1980's.

Employment and Unemployment Trends

Looking first at trends in nonagricultural employment, it is noteworthy that employment expanded at a rapid rate in the nation during the late 1970's but slowed in the 1980's (Table 1). Employment in the Mid-Atlantic region grew at much slower rates. However, the difference between U.S. and Mid-Atlantic growth did narrow over the decade. Pennsylvania had a fair rate of expansion in the late 1970's but experienced a decline in employment from 1979 to 1984.

Unemployment rates mirrored employment trends in the region. Pennsylvania had the lowest rate in the region in 1974 but the highest by 1984 (Table 2). Similarly, Pennsylvania's unemployment rate exceeded that for the nation by 1979 after having a lower rate in 1974.

Changes in Major Sectors

The Mid-Atlantic region experienced wide variations in rates of employment change across major economic sectors over the 1974-1984 period. Sector changes also varied among States.

In looking at employment change by sector, it is useful to group them by national performance. Such a grouping for the 1974-1984 period shows services; retail trade; wholesale trade; and finance, insurance and real estate (FIRE) as the major growth industries (Table 3). Conversely, construction and manufacturing were sources of slow employment growth in the late 1970's before declining in the early 1980's.

As might be expected, the fast-growth sectors created the bulk of new jobs in all three States of the region in the 1970's and 1980's. Manufacturing was the source of huge job losses. In Pennsylvania, the fast-growth sectors created 230 thousand jobs from 1979 to 1984 while 300 thousand were lost in manufacturing and construction. Mining employment also declined in the region and Pennsylvania in the 1980's after a healthy rate of increase in the late 1970's.

Table 1. Percent change in total nonagricultural employment, September 1974-1984

	Sept. 1974-1979	Sept. 1979-1984
United States	14.6	5.8
Mid-Atlantic Region	5.0	3.8
New York	2.2	5.2
New Jersey	8.5	11.1
Pennsylvania	7.1	−2.9

Source: Establishment data series from "Employment and Earnings" of U.S. Department of Labor and individual State Departments of Labor are used in all Tables, except Table 2, where resident data is used.

There were two highly significant aspects of employment change by sector in the region over the decade:

1.) The region's performance versus the nation's; and
2.) Shifts in the region's performance, especially among States within the region, between the 1970's and 1980's.

At the national level, all sectors grew less rapidly in the 1980's than in the 1970's. In the Mid-Atlantic region, the pattern was mixed. In the 1970's, all sectors turned in a poorer performance in the region than in the nation (Table 4). However, in the 1980's, rates of growth in the national fast-growth sectors picked up in the region and even exceeded the nation in FIRE and wholesale trade. This surge, however, was confined to New York and New Jersey. Rates of growth in fast-growing sectors fell off sharply in Pennsylvania. The bottom-line implication, which will be pinpointed to the New York to Philadelphia axis in a future article, is that part of the region capitalized more on national sector trends than others in the 1980's.

The same interstate pattern occurred in construction and manufacturing. Construction shifted from a declining sector in the region in the 1970's to some employment

Table 2. Percent unemployed in September.

	1974	1979	1984
United States	5.7	5.7	7.1
Mid-Atlantic Region	5.9	7.0	7.1
New York	6.5	7.5	6.7
New Jersey	6.4	6.2	5.8
Pennsylvania	4.8	6.7	8.7

Table 3. Jobs (in thousands) gained or lost by major economic sectors, September 1974-1984.

National performance of sectors	Mid-Atlantic 74-84	Pennsylvania 74-79	Pennsylvania 79-84
Fast-growth 70's & 80's			
Services	1165.0	186.2	160.2
Finance, insurance & real estate	223.0	28.1	21.6
Retail trade	365.3	90.5	39.3
Wholesale trade	142.8	28.0	10.4
Sub-total	1896.1	332.8	231.5
Fast-growth 70's; slow-growth 80's			
Mining	-4.9	7.8	-11.0
Slow-growth 70's & 80's			
Government	105.0	31.9	-33.1
Transportation & public utilities	-18.7	8.6	-24.8
Sub-total	86.3	40.5	-57.9
Slow-growth 70's; decline 80's			
Construction	-2.8	8.9	-28.2
Manufacturing	-688.0	-68.5	-274.6
Sub-total	-690.8	-59.6	-302.8
Total nonagricultural	1286.7	321.5	-140.2

growth in the 1980's. However, this improvement did not extend to Pennsylvania, which had a significant decline in the 1980's. Manufacturing employment declined in the region in the 1970's and 1980's, with a much sharper decline in the 1980's. The rate of decline increased from 4.7 percent to 19.6 percent in Pennsylvania, indicating a real structural problem for the State.

Variations in rates of change among sectors in the nation and the region led to shifts in the distribution of employment. Nationally and regionally, sectors such as trade and services became relatively more important, and manufacturing, government and construction less so. By 1984, over half of the nation's and region's employment was in fast-growth sectors (Table 5). The region's proportion exceeded the nation's, presumably placing it in an encougaging growth position for at least the near future.

Pennsylvania had just a slightly higher proportion of its employment in growth sectors in 1984 than the nation. Conversely, Pennsylvania, even after a substantial decline in manufacturing employment in the 1980's, still had 23.9 percent of its employment in manufacturing versus 20.6 percent for the nation. On the plus side, the State did exceed the nation in its employment in services, the fastest growing sector over the decade. It also had a smaller proportion than either the nation or the region in government and transportation and public utilities, which have been slow-growing nationally.

Change by Industry in Manufacturing

Manufacturing, with its accelerating rate of employment decline from the 1970's to the 1980's, is a problem for the Mid-Atlantic region and especially Pennsylvania. The sector is still the second largest employer in the region behind services. It, therefore, merits a closer look.

Again, it is instructive to group the 20 major industries of the sector by their national performance over the decade to note points of growth and decline. Looking first at the nation, it is significant that in the late 1970's, 13 of the 20 industries had some increase in employment (Table 6). By the early 1980's, the gainers were reduced to four: instruments, electric and electronic equipment, printing and publishing, and rubber and plastic products. The Mid-Atlantic region in the 1970's had only seven industries experience employment gains. This fell to two, printing and publishing and furniture, in the early 1980's.

Looking first at the four national growth industries in the 1970's and 1980's, it would appear that the region has not been as competitive as the rest of the nation. In the late 1970's, employment growth in each industry was lower in the region than in the nation. In the 1980's, three industries suffered declines in employment in the region while growing nationally. Printing and publishing was the only industry to expand in both periods in the region.

Pennsylvania did not do well in the national growth industries. Printing and publishing did expand employment modestly in both the 1970's and 1980's, albeit at a lower rate than in the nation. Employment in rubber and plastics and instruments expanded in the 1970's but contracted in the 1980's. Electric and electronic equipment lost jobs over the entire period in the State.

Among the industries that declined nationally in both

Table 4. Percent change in employment in major economic sectors, September 1974-1984.

National performance of sectors	United States 74-79	United States 79-84	Mid-Atlantic 74-79	Mid-Atlantic 79-84	Pennsylvania 74-79	Pennsylvania 79-84
Fast-growth 70's & 80's						
Services	27.6	21.9	18.7	20.5	24.0	16.6
Finance, insurance & real estate	20.5	14.1	8.2	14.7	13.6	9.2
Retail trade	18.6	12.2	7.6	9.0	13.6	5.2
Wholesale trade	17.4	7.4	8.2	8.4	13.1	4.3
Fast-growth 70's; slow-growth 80's						
Mining	36.3	1.6	10.4	-17.5	17.9	-21.4
Slow-growth 70's & 80's						
Government	11.9	0.6	4.7	-0.2	4.8	-4.8
Transportation & public utilities	9.8	0.9	0.0	-2.1	3.2	-9.0
Slow-growth 70's; decline 80's						
Construction	14.0	-2.3	-5.2	5.0	4.1	-12.7
Manufacturing	4.2	-7.2	-4.6	-13.7	-4.7	-19.6
Total nonagricultural	14.6	5.8	5.0	3.8	7.1	-2.9

Table 5. Percent distribution of total employment by major economic sectors, September 1984.

National performance of sectors	United States	Mid-Atlantic	Pennsylvania
Fast-growth 70's & 80's			
Services	22.1	24.6	23.9
Finance, insurance & real estate	6.0	7.3	5.5
Retail trade	17.6	15.8	16.9
Wholesale trade	5.9	6.2	5.4
Sub-total	51.6	53.9	51.7
Fast-growth 70's; slow-growth 80's			
Mining	0.9	0.3	0.9
Slow-growth 70's & 80's			
Government	16.5	15.7	14.1
Transportation & public utilities	5.5	5.7	5.3
Sub-total	22.0	21.4	19.4
Slow-growth 70's; decline 80's			
Construction	4.9	3.9	4.1
Manufacturing	20.6	20.5	23.9
Sub-total	25.5	24.4	28.0
Total nonagricultural	100.0	100.0	100.0

the 1970's and 1980's, the region and Pennsylvania typically fared worse than the nation. In the 1980's, primary metals employment fell 31.9 percent in the nation and 40.7 percent in the region. Pennsylvania contributed heavily to the region's decline with a 43.8 percent loss. Likewise, apparel employment fell 7.8 percent in the nation and 14.1 percent in the region in the 1980's. Employment in Pennsylvania's apparel industry fell 11.5 percent. The industry declined more rapidly in Pennsylvania during the 1970's than either the nation or region.

The detailed industry-by-industry picture in manufacturing is thus a nearly across-the-board poorer performance in the region and Pennsylvania relative to the nation in both the late 1970's and the early 1980's. The overall performance of the region vis-a-vis the nation did alter the industry-structure in the region compared to the nation. National declining industries became less important in the region and growth industries relatively more prominent. By 1984, 30 percent of the manufacturing employment in the region was in national fast-growth industries versus 26 percent in declining industries (Table 7). The comparative figures for the nation were a 26 percent share in fast-growth and 21 percent in declining industries. Pennsylvania, even after large declines in industries such as primary metals, had a manufacturing employment structure less weighted to growth industries and more toward declining industries than either the region or the nation. If current trends continue, it may be some time before the manufacturing decline bottoms out in the State.

Table 6. Percent change in employment in major manufacturing industries, September 1974-1979 and September 1979-1984.

National performance	United States		Mid-Atlantic		Pennsylvania	
of industries	74-79	79-84	74-79	79-84	74-79	79-84
Fast-growth 70's; growth 80's						
Instruments & related products	15.9	3.5	3.0	-3.8	17.8	-13.5
Printing & publishing	11.2	12.0	4.3	5.1	5.1	1.0
Rubber & miscellaneous plastic products	10.0	1.6	7.3	-5.6	1.9	-14.6
Electric & electronic equipment	8.3	5.3	6.0	-5.1	-12.1	-14.2
Fast-growth 70's; decline 80's						
Machinery, except electrical	13.1	-11.4	-0.8	-15.1	-2.3	-19.1
Lumber & wood products	9.9	-7.3	10.7	-6.4	8.6	-4.6
Petroleum & coal products	7.4	-10.9	-3.1	-22.2	0.0	-25.7
Transportation equipment	7.1	-6.6	5.1	-21.8	22.5	-27.6
Slow-growth 70's; decline 80's						
Fabricated metal products	4.0	-13.3	-3.9	-19.0	-5.2	-22.8
Chemicals & allied products	3.2	-5.3	0.7	-8.0	4.2	-6.8
Furniture & fixtures	0.9	-1.5	-11.7	1.8	-8.9	1.0
Food & kindred Products	0.7	-7.5	-6.7	-10.3	-3.6	-9.6
Stone, clay & glass products	0.3	-14.9	-8.3	-23.5	-5.8	-24.0
Decline 70's & 80's						
Paper & allied products	-0.2	-3.8	-1.9	-9.0	1.6	-9.4
Miscellaneous manufactures	-2.3	-13.6	-9.0	-20.1	-15.7	-20.2
Primary metal industries	-3.3	-31.9	-11.9	-40.7	-10.1	-43.8
Apparel	-5.3	-7.8	-11.0	-14.1	-12.3	-11.5
Textile mill products	-8.6	-15.2	-23.7	-22.6	-19.3	-25.5
Leather & leather products	-8.6	-22.6	-12.8	-27.0	-16.0	-23.8
Tobacco products	-9.8	-9.5	-27.5	-16.7	-46.2	-34.3
All manufacturing	4.2	-7.2	-4.6	-13.7	-4.7	-19.6

Table 7. Percent distribution of employment among major manufacturing industries, September 1984.

National performance of industries	Employment change in Pennsylvania 1974-1984 (thousands)	Percent distribution of employment, 1984 United States	Mid-Atlantic	Pennsylvania
Fast-growth 70's; growth 80's				
Instruments & related products	0.7	3.6	6.2	3.3
Printing & publishing	4.2	7.0	9.2	6.5
Rubber & miscellaneous plastic products	-5.4	4.0	3.4	3.2
Electric & electronic equipment	-35.9	11.4	11.4	9.8
Sub-total	-36.4	26.0	30.2	22.8
Fast-growth 70's; decline 80's				
Machinery, except electrical	-30.7	11.3	10.4	10.3
Lumber & wood products	0.8	3.7	1.3	2.0
Petroleum & coal products	-4.6	1.0	1.0	1.2
Transportation equipment	-8.1	9.8	4.6	5.7
Sub-total	-42.6	25.8	17.3	19.2
Slow-growth 70's; decline 80's				
Fabricated metal products	-33.6	7.6	6.8	8.2
Chemicals & allied products	-1.7	5.3	7.6	5.1
Furniture & fixtures	-1.8	2.5	1.7	1.8
Food & kindred products	-13.6	8.6	7.0	8.2
Stone, clay & glass products	-19.7	3.1	3.4	4.4
Sub-total	-70.4	27.1	26.5	27.7
Decline 70's & 80's				
Paper & allied products	-3.5	3.5	3.7	3.6
Miscellaneous manufactures	-10.0	2.0	3.0	1.8
Primary metal industries	-113.4	4.3	5.4	10.3
Apparel	-32.7	6.1	9.9	10.2
Textile & mill products	-22.9	3.8	2.6	3.1
Leather & leather products	-7.2	1.0	1.2	1.1
Tabocco products	-4.2	0.4	0.2	0.2
Sub-total	-193.9	21.1	26.0	30.3
All manufacturing	-343.3	100.0	100.0	100.0

Summary

During the past decade, the Mid-Atlantic region lagged the nation in the rate of growth in total employment. However, the nation's margin over the region narrowed from the late 1970's to the mid-1980's. A resurgence in the growth of national fast-growth sectors such as trade and services in the region offset substantial losses in manufacturing. New York and New Jersey benefitted most from the expansion of the fast-growth sectors. Pennsylvania, weighted down with large job losses in manufacturing, failed to match the growth rates realized in the region or the nation in fast-growth sectors during the 1980's. Total employment expanded at a modest rate in the State in the late 1970's but declined in the early 1980's.

By 1984, the vigorous growth of trade, services, etc., and the decline of manufacturing gave the region an employment structure more weighted to fast-growing sectors than the nation. This suggests optimism for expansion in the near future, especially in New York and New Jersey, the States most oriented to nationally fast-growing sectors.

Within manufacturing, the region, and especially Pennsylvania, experienced poorer employment performances in most of the 20 major manufacturing industries than did the nation. Declining employment was the pattern for most industries in the late 1970's and more so in the 1980's. The region's performance lagged the nation in both growing and declining industries. The pervasiveness of decline among manufacturing industries in the region compared to the nation raises questions concerning the competiveness of the region in manufacturing. A plus for the region by 1984 was that the structure of its manufacturing employment was more oriented to growing industries and less to declining industries than the nation. This, however, was not the case for Pennsylvania which was still heavily weighted to declining industries in manufacturing.

The challenge of the future for the region would appear to be how to keep abreast of, and linked more fully with, the fast-growth elements in the national economy. How to maintain competitiveness in national slow-growing and even declining sectors and industries should also be given attention.

—Theodore E. Fuller, Development Economist
The Pennsylvania State University

Retail Sales Report

Retail sales in Pennsylvania totaled $16.3 billion during the third quarter of 1985. This represents a gain of 12.2 percent from the third quarter of 1984, nearly doubling the 6.6 percent jump which occurred over the year ending with the second quarter. Through the first nine months of 1985, retail sales totaled $46.3 billion for a 7.3 percent gain from the year-ago period.

Nationally, retail sales surged as a result of a strong jump in automobile sales. However, purchases slowed when incentives designed to spur sales were lifted. Recent data also indicates that consumers have slowed their spending in an effort to improve their financial positions. We must await the release of the data to see if the same trends are occurring in Pennsylvania.

Pennsylvania retail sales
(millions of dollars)

	Retail sales	Pct. change from yr. ago
1985: IIIQ	16,306	12.2
1985: IIQ	16,372	6.6
1985 YTD	46,323	7.3

September 1985 data is preliminary.
Source: U.S. Dept. of Commerce,
Bureau of the Census

Personal Income Report

Pennsylvania personal income totaled a seasonally adjusted $153.2 billion on an annual rate basis in the second quarter of 1985. This represents a gain of 0.6 percent from the first quarter and 5 percent from a year ago. Personal income in the nation stood at $3.2 trillion for a quarterly increase of 1 percent and an annual gain of 6.7 percent.

All of second quarter's gain in Pennsylvania was attributable to a 1.2 percent rise in net labor and proprietors income. Income derived from interest, dividends, and rent; and transfer payments, the two remaining components of personal income, fell. Wage and salary disbursements rose 1.1 percent to a seasonally adjusted $88.3 billion.

The sluggishness in the agricultural and manufacturing sectors is apparent in the income data. Pennsylvania farm income fell 6.7 percent over the quarter and 5.8 percent from a year ago. Manufacturing income fell 0.1 percent during the quarter and grew a minimal 0.7 percent over the year. Income trends in the durable goods industries were especially discouraging.

Pennsylvania personal income
(seas. adj. ann. rates; million of dollars)

	Personal income	Pct. change Qt. ago	Pct. change Yr. ago
1985: IIQ	153,159	0.6	5.0
1985: IQ	152,180	1.6	7.0
1984: IIQ	145,876	2.6	8.3

Source: U.S. Dept. of Commerce,
Bur. of Econ. Analysis

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PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University January 1986

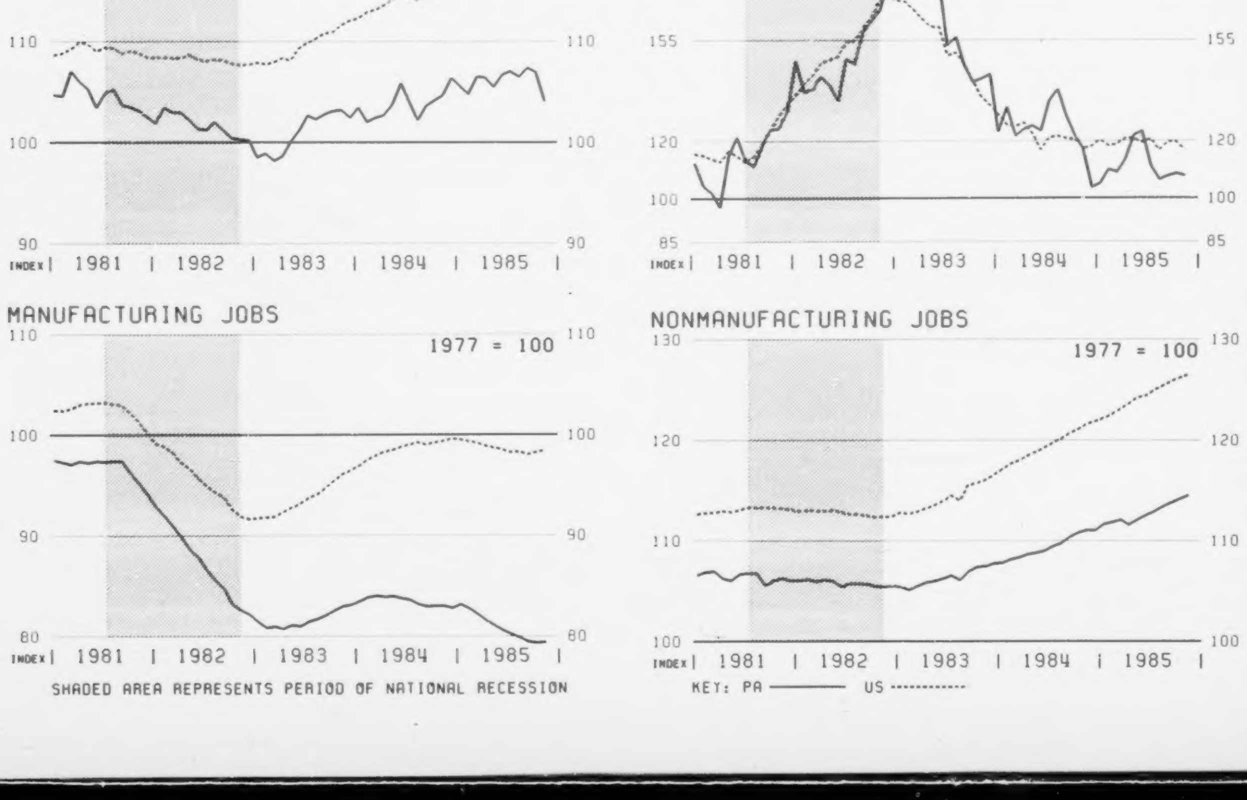
Manufacturing Rebound Appears Necessary to Sustain Recovery

The Pennsylvania economy failed to generate any momentum in November, making a strong December rebound necessary to send the economy positively into the new year. Especially discouraging was the resident employment/unemployment picture in the Commonwealth. The seasonally adjusted 5 million individuals employed represents a fall of 137,000 from October, the second consecutive decline. Based upon the insignificant decline in the number of unemployed and the large fall-off in the labor force, it appears as if some residents became discouraged at their prospects for employment and left the workforce. This is a disturbing development and may represent a lack of confidence in the economy on the part of Pennsylvanians. However, due to sampling errors, several months of similar trends are required before such a conclusion may be drawn. The end result was a 0.3 percentage point jump in the unemployment rate to a seasonally adjusted 8 percent, the highest since June 1985's 8.8 percent.

These trends are more disappointing when examined relative to national developments. U.S. employment rose for the fifth consecutive month, while the number counted as unemployed fell a seasonally adjusted 2.4 percent. At 7 percent, the nation's unemployment rate was a full percentage point below Pennsylvania's.

Despite November's slump in Pennsylvania, developments through the first 11 months of 1985 were encouraging compared to the same period in 1984. Employment was up by 125,000. Enough jobs were created to absorb a rise in the labor force and reduce the number of unemployed. The unemployment rate fell more than one percentage point.

An encouraging development came in the seasonally adjusted 4.9 percent decline in initial claims for



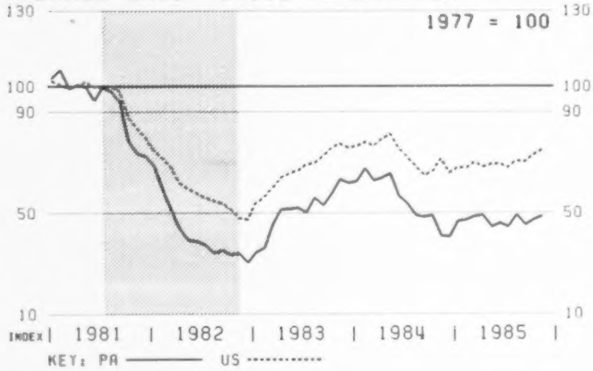
SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

unemployment insurance in November. A decline in initial claims often signals a future fall in the number of unemployed.

The number of jobs in Pennsylvania nonagricultural establishments rose for the seventh consecutive month in November. In rising a seasonally adjusted 0.2 percent to 4.76 million, **there were more jobs in Pennsylvania establishments than at any time since May 1980.**

The main contributor to the job surge has been the nonmanufacturing sector, where there was a seasonally adjusted 3.69 million positions in November, up 11,200 from October. A similar increase took place nationally. Some of the sector's recent strength is probably due to a lack of foreign competition relative to manufacturing. Hence, **nonmanufacturing was not hurt as much by the dollar's earlier surge** which made U.S.-produced goods more expensive relative to imported goods. Except for April 1985, every month since October 1983 has brought with it a new nonmanufacturing employment record in Pennsylvania. **The ability of the economy to enter a fourth year of recovery is due, in large part, to the sector's strength.**

AVERAGE DAILY STEEL PRODUCTION



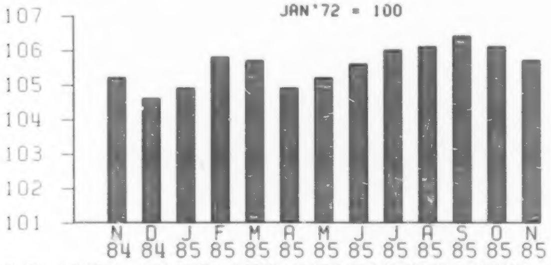
SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

As has been the case the last several months, nonmanufacturing employment growth in Pennsylvania was led by the services industries. Also making significant contributions were wholesale and retail trade. **There are some indications that manufacturing job**

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1985		1984	1985		1984	1985		1984
	Oct	*Nov*	*Nov*	*Oct*	*Nov*	*Nov*	*Oct*	*Nov*	*Nov*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,797*	4,809	4,743	4,744*	4,755	4,693	103.9	104.2	102.8
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,717*	3,732	3,621	3,679*	3,690	3,580	114.1*	114.5	111.0
Manufacturing									
No. of wage and salary jobs (thous.)	1,071*	1,068	1,117	1,065*	1,065	1,114	79.3*	79.4	83.0
Ave. wkly. hrs. worked by prod. workers	40.0*	40.3	40.6	40.0*	39.9	40.2	101.3*	101.0	101.7
Total wkly. person-hours worked (mils.)	29.2	29.3	31.2	29.1*	28.8	30.8	75.8	75.2	80.2
Total wkly. payroll (mil. dols.)	279.2*	282.4	293.1	279.4*	277.7	288.3	124.4*	123.6	128.3
Steel production (thous. tons)	961	938	790	n.a.	n.a.	n.a.	47.4	48.8	41.0
Industrial electric power sales (mil. kwh)	3,567	3,344	3,462	3,574	3,433	3,542	96.8	92.9	95.9
Mining									
Anthracite coal (thous. net tons)	371	321	349	323	287	308	66.1	58.7	63.0
Bituminous coal (thous. net tons)	5,972	n.a.	5,233†	5,458	n.a.	4,735†	77.4	n.a.	67.1†
Construction contracts awarded (mil. dols.)									
Total	658.3	508.3	820.6*	655.2	527.0	752.2*	203.7	163.8	233.8*
Residential building	315.5	204.1	242.3*	280.5	213.8	232.0*	199.3	151.9	164.9*
Nonresidential building	243.8	153.4	452.4*	218.1	123.9	354.0*	201.1	114.2	326.3*
Nonbuilding (utilities and public works)	99.1	150.8	126.0*	156.6	189.3	166.2*	216.1	261.2	229.3*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,237	5,109	5,137	5,139	5,002	5,031	106.9	104.1	104.7
Unemployed									
No. of persons (thous.)	400	418	455	435	433	470	108.6	107.9	117.3
Rate (percentage of labor force)	7.1	7.6	8.1						
Rate, seasonally adjusted				7.7	8.0	8.6			
Civilian labor force, no. of persons (thous.)	5,637	5,527	5,592	5,574	5,435	5,501	107.1	104.4	105.7
Initial claims for unemployment benefits	119,603	114,985	134,744	121,743	115,826	133,002	85.0	80.9	92.9

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1985		1984	*Month*	*Year*
	Oct	*Nov*	*Nov*	*Ago*	*Ago*
U.S. city average	325.5	326.6	315.3	+0.3	+3.6
Philadelphia	317.4	318.8	306.0	+0.4	+4.2
Pittsburgh	328.4	n.a.	321.1†	n.a.	+2.3
Northeast PA	n.a.	310.6	301.1	n.a.	+3.2

NOTES: Data on employment, payrolls and hours have been revised to first quarter 1984 benchmarks.
[1] Total includes workers on strike. * = figure revised † = figure for October 1984 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.



PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS

SOURCE: THE PENNSYLVANIA STATE UNIVERSITY COLLEGE OF BUSINESS ADMINISTRATION

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
April	104.9	87.6	-0.8	-0.7
May	105.2	87.2	0.3	-0.5
June	105.6	87.7	0.4	0.6
July	106.0	87.3	0.4	-0.5
August	106.1	87.3	0.1	0.0
September	106.4	87.0	0.3	-0.3
October	106.1	86.5	-0.3	-0.6
November	105.7	85.4	-0.4	-1.3

levels may have bottomed out, or will soon do so. November's increase of 600 in the number of jobs to a seasonally adjusted 1.07 million is the first increase since January 1985 and follows just a slight decline in October after revision. Gains in nondurable goods jobs in November offset losses in durable goods industries. U.S. manufacturing job levels also rose slightly in November. Still, over the first 11 months of the year, Pennsylvania manufacturing employment was down more than 3 percent from the same period in 1984. Much of the **optimisim regarding future trends is attributable to expectations of further declines in the value of the dollar.** However, some will argue that a full-fledged manufacturing rebound will not occur until confusion surrounding efforts to reduce the deficit and tax revision are cleared up.

Other indicators failed to signal any improvement in manufacturing. The average factory workweek fell from a revised 40 hours per week in October to a seasonally adjusted 39.9 hours in November. Through the first 11 months of 1985, the workweek, a leading indicator of economic activity, averaged 39.8 hours, down 0.4 hour from 1984. Total hours worked and factory payrolls were also down. Electricity sales to industrial customers, a proxy for industrial activity, fell a seasonally adjusted 4 percent and were down 3.4 percent on a year-to-date basis relative to 1984.

The news was more encouraging on the steel front. Average daily output rose a seasonally adjusted 3 percent in Pennsylvania and 2.5 percent in the U.S. The Commonwealth's gain was strong enough to raise its share of total domestic production to 13.3 percent from 13.1 percent in October.

Construction activity, as measured by the value of contracts awarded, fell for the second time in three months in Pennsylvania. In declining a seasonally adjusted 19.6 percent, contract values fell to $527 million, their lowest level since January 1985. Declines occurred in both the residential and nonresidential building categories but rose in the nonbuilding group.

November's sluggish overall performance is reflected in the third consecutive monthly decline in the index of coincident indicators. The index rose only twice during the first 11 months of the year, both in the first half. Similarly, **the index of leading indicators fell for the second consecutive month** following five straight monthly advances. **A rebound in both indexes is dependent upon a manufacturing upturn.** Should this occur, other sectors of the economy would surely benefit, adding more fuel to the expansion.

— William D. Anderson

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THE MID-ATLANTIC IN TRANSITION: METRO AND NONMETRO AREA CHANGES, 1974-1984

(This is the second of two articles summarizing a study by the author entitled "The Mid-Atlantic in Transition: Employment Trends, 1974-1984.")

The secular rate of job creation slowed in the U.S. between the late 70s and early 80s. It rose in two states of the Mid-Atlantic region, New York and New Jersey. In the third, Pennsylvania, the secular trend reversed, falling from 7.1 percent from 1974 to 1979 to −2.9 percent from 1979 to 1984.

A look at recent trends among metro and nonmetro areas in the region provides insights into these employment shifts. The rate of job creation dipped slightly from 4.5 to 4.4 percent in metro areas from the 70's to the 80's (Table 1). Nonmetro areas went from a gain of 7.8 percent to a 3 percent decline. This implies a reversal of the oft-noted "rural-urban turnaround" of the 70's, when rates of growth in nonmetro areas exceeded metro areas for the first time in decades. The average rates of change in total employment for metro and nonmetro areas conceal considerable variation in performance among areas. These variations are related to differences in rates of change in sectors among areas.

To assess the evidence of variation in employment change in the region, this article looks first at changes in total employment and employment structure among metro areas. This is followed by a similar analysis for nonmetro areas and some prognostication on the future.

Table 1. Percent change in total employment in the Mid-Atlantic region, September 1974-1984.

	74-79	79-84
Mid-Atlantic region	5.0	3.8
Metro areas	4.5	4.4
Nonmetro areas	7.8	−3.0

Metro Areas — Trends in Total Employment

A significant feature of employment change among metro areas of the Mid-Atlantic region over the past

Table 2. Percent change in total unemployment among metro areas of the Mid-Atlantic region, September 1974-1984[a].

Metro areas grouped by location	74-79	79-84
New York City-New Jersey-Philadelphia	3.9	7.5
New York City MSA (8 counties)	−1.8	5.1
Suburban New York MSA's	11.9	14.4
New Jersey[b]	8.5	11.1
Philadelphia MSA (Pennsylvania portion)	4.4	1.4
Upstate New York MSA's	4.0	1.7
Albany-Troy-Schenectady	7.2	5.4
Glens Falls	8.5	5.5
Utica-Rome	1.5	1.6
Syracuse	6.4	5.1
Rochester	3.9	5.8
Binghamton	7.4	5.7
Elmira	−8.5	−4.9
Buffalo	1.4	−6.4
Southeastern Pennsylvania MSA's	8.4	2.2
Allentown-Bethlehem	2.9	−0.7
Reading	5.8	3.0
Lancaster	16.8	5.1
York	15.3	1.2
Harrisburg-Lebanon-Carlisle	7.0	3.5
Central Pennsylvania MSA's	5.7	−2.2
Scranton-Wilkes-Barre	5.2	−2.6
Williamsport	5.6	−6.5
State College	9.2	9.3
Altoona	5.4	−6.4
Western Pennsylvania MSA's	6.9	−10.9
Johnstown	8.4	−15.3
Erie	3.3	−6.1
Sharon	3.0	−14.9
Pittsburgh-Beaver County	7.3	−10.8
All metro areas	4.5	4.4

a Metro areas are the MSA's (metropolitan statistical areas) defined by the U.S. Office of Management and Budget as of 1983.

b It should be noted that in this report New Jersey is treated as a single metro area. Actually a few individual metro areas in the state might have had declines from 1974-1979 or 1979-1984.

decade was a shift in growth from the smaller metro areas of interior New York and Pennsylvania to the New York City-New Jersey-Philadelphia (NNP) urban corridor. During the first half of the decade, the smaller areas in the interior of the region, especially in Pennsylvania, performed better than those in the NNP corridor (Table 2). The York and Lancaster areas actually exceeded the national growth rate.

During the 80's, this scenario shifted radically. In rising from 3.9 to 7.5 percent, the growth rate in the NNP area exceeded the nation's. Suburban New York and New Jersey areas averaged over twice the national rate of growth. The only other metro area in the region above the national average was State College.

The smaller areas in upstate New York and south-central Pennsylvania experienced growth at slower rates in the 80's than in the 70's. A band of areas from Buffalo to Pittsburgh and Johnstown had employment losses ranging from 6.1 to 15.3 percent between 1979 and 1984.

Metro Areas — Sector Trends

Changes in total employment are the sum of changes in major sectors. The shifts in rates of growth among metro areas of the Mid-Atlantic region over the past decade raise several questions: What was happening to employment by sector among areas? Did certain sectors do better in some areas than in others? What happened among areas in the national fast-growth sectors such as services and trade? What was the performance record of manufacturing?

Looking at metro areas in the 70's versus the 80's, a number of shifts in trends among sectors are evident. Growth in each of the three national fast-growth sectors over the decade increased. Services employment growth jumped from 18.6 to 21 percent; finance, insurance and real estate from 8.2 to 15.2 percent; and trade from 6.9 to 9.5 percent (Table 3). Metro areas in the NNP complex typically lagged other areas in most sectors in the 70's but emerged as leaders in the 80's. The averages for all areas were below the national averages in both periods.

Manufacturing declined in all metro areas except southeastern Pennsylvania in the 70's. In the 80's, manufacturing declined in all areas at rates exceeding the national average. Metro areas in western Pennsylvania led the fall with an average decline of 36.5 percent.

The shifts in rates of employment change of sectors among metro areas from the 70's to the 80's impacted on the structure of employment across the region. Over the period, employment in the fast-growth sectors increased from 46.3 to 54.8 percent of total metro employment (Table 4). Manufacturing's share dropped from 26.6 to 20 percent. The NNP complex emerged in 1984 with 57.1 percent of its employment in the fast-growth sectors and only 17.8 percent in manufacturing. The areas of western Pennsylvania had 56 percent of their employment in fast-growth sectors, and only 19.7 percent in manufacturing by 1984. Areas in upstate New York and eastern and central Pennsylvania wound up with somewhat less of an orientation to fast growth industries.

Nonmetro Areas — Trends in Total Employment

Total employment for nonmetro areas in New York and Pennsylvania averaged a 7.8 percent increase from 1974 to 1979 and a 3 percent decrease from 1979 to 1984. Nonmetro growth exceeded metro area growth in the 70's but fell behind in the 80's. The patterns of change in employment growth among nonmetro areas over the decade often appeared to reflect the economic health of the metro areas in their vicinity.

Nonmetro areas in New York gained employment in the 70's and the 80's (Table 5). However, a significant pattern of shift in rates occurred over the decade. Nonmetro areas in southeastern New York increased their rate of growth from 7.1 to 7.5 percent. It would appear that they received some spinoff from their proximity to the revitalized New York City area.

Table 3. Percent change in employment in major economic sectors for groups of metro areas in the Mid-Atlantic region (September data).

	Fast-growth 70's & 80's			Fast-growth 70's; Slow-growth 80's	Slow-growth 70's & 80's		Slow-growth 70's; Decline 80's	
Metro areas grouped by location	Services	Finance, insurance & real estate	Wholesale & retail trade	Mining	Government	Transportation & public utilities	Construction	Manufacturing
Percent change 1974-1979								
New York City-New Jersey-Philadelphia MSA (PA portion)	18.1	7.0	5.4	−18.0	2.7	− 0.9	−10.7	− 5.9
Upstate New York MSA's	16.0	10.9	7.1	—	6.8	− 1.4	−10.8	− 4.3
Southeastern Pennsylvania MSA's	19.4	24.3	16.4	—	3.6	8.9	− 5.5	2.4
Central Pennsylvania MSA's	20.8	5.8	12.6	0.0	8.6	4.0	− 0.9	− 5.1
Western Pennsylvania MSA's	25.3	12.9	10.4	17.9	2.0	− 1.8	15.9	− 5.7
All metro areas	18.6	8.2	6.9	9.7	3.5	− 0.3	− 6.9	− 4.8
Percent change 1979-1984								
New York City-New Jersey-Philadelphia MSA (PA portion)	22.5	16.2	11.2	− 4.9	1.0	1.0	18.1	−10.7
Upstate New York MSA's	18.6	12.4	6.8	—	− 1.6	− 5.0	4.5	−12.4
Southeastern Pennsylvania MSA's	22.5	11.4	11.8	—	− 0.7	− 1.5	− 6.5	−10.0
Central Pennsylvania MSA's	17.1	12.9	5.3	−17.6	− 3.8	−11.8	−23.2	−13.3
Western Pennsylvania MSA's	12.3	9.2	1.6	−37.5	−10.9	−16.7	−19.1	−36.5
All metro areas	21.0	15.2	9.5	−32.0	− 0.5	− 1.8	6.7	−13.6

Table 4. Percent of total employment in national fast-growth sectors and manufacturing by metro area group in the Mid-Atlantic region (September data).

Metro areas grouped by location	Fast-growth sectors 1974	Fast-growth sectors 1984	Manufacturing 1974	Manufacturing 1984
New York City-New Jersey-Philadelphia MSA (PA portion)	49.2	57.1	23.7	17.8
Upstate New York MSA's	41.4	48.8	30.7	24.3
Southeastern Pennsylvania MSA's	36.8	45.2	38.0	31.6
Central Pennsylvania MSA's	37.2	46.1	33.5	26.7
Western Pennsylvania MSA's	42.6	56.0	31.3	19.7
All metro areas	46.3	54.8	26.6	20.0

Conversely, nonmetro areas in central and western New York went from employment increases during the 1974-1979 period to declines in the 1979-1984 period. Perhaps part of this was due to their proximity to the generally slow-growth metro areas of central New York and the declining Buffalo area in the west.

In Pennsylvania, nonmetro areas averaged higher growth rates than those in New York in the 70's. However, in the 80's, areas throughout the State declined. Again, there appeared to be some relation in the performance of nonmetro areas to metro areas in their proximity. Nonmetro areas in southeast Pennsylvania averaged the lowest rate of decline, 4.6 percent. Areas in western Pennsylvania averaged the highest rate of decline, 8.8 percent.

Nonmetro Areas — Sector Trends

Employment trends also shifted among sectors in nonmetro areas of the region. Average rates of job creation in the three national fast-growth sectors were lower for nonmetro areas in the 80's than in the 70's (Table 6). Employment in finance, insurance, and real estate rose 11.1 percent in the first half of the decade but only 4.5 percent in the last half. Comparable figures were 15.3 and 3.9 percent for trade. Even the rate of job creation in services dropped some.

The rate of nonmetro manufacturing employment growth went from −3.1 to −15.5 percent, compared to an average of −4.8 to −13.6 percent in metro areas. The performance of nonmetro areas appeared related to the metro areas near them. Areas in central and western New York and western Pennsylvania had the highest rates of decline in the 80's.

The slower growth of national fast-growth sectors in nonmetro relative to metro areas in the 80's left the employment structures of nonmetro areas more heavily weighted to manufacturing and less to fast-growth sectors. By 1984, only 43.5 percent of nonmetro employment was in fast-growth sectors versus 54.8 percent for metro areas (Table 7). In 1984, manufacturing still commanded 25.5 percent of employment in nonmetro areas versus 20 percent in metro areas.

The Future?

Employment trends for the past decade indicate some significant reversals in performance among metro and nonmetro areas of the Mid-Atlantic region. Most notably, the NNP corridor emerged as the leader. The area benefitted from a significant upsurge in national fast-growth sectors, and a below average (for the region) rate of decline in manufacturing. The corridor, with its recent high rates of growth in national fast-growth sectors and its current high proportion of total employment in these sectors would appear to be the most viable part of the region in the immediate future.

Trends within the region also indicate rather consistent slow-growth for the smaller metro areas of southeast Pennsylvania and upstate New York (except Buffalo and Elmira). The rates of increase in the fast-growth sectors were less than in the NNP area and by 1984 they were still more oriented to manufacturing. However, their rates of decline in manufacturing were relatively moderate. If they can continue to temper their declines in manufacturing and participate in the national

Table 5. Percent change in total employment among nonmetro areas of the Mid-Atlantic region, September 1974-1984.

Nonmetro areas grouped by location	74-79	79-84
New York	6.0	1.4
Southeastern	7.1	7.5
Northern	9.4	2.5
Central	4.5	−0.2
Western	3.6	−3.1
Pennsylvania	9.4	−5.9
Eastern	6.9	−4.6
Northern	6.5	−8.1
Central	9.5	−5.3
Western	11.6	−8.8
All nonmetro areas	7.8	−3.0

Table 6. Percent change in employment in major economic sectors for groups of nonmetro areas in the Mid-Atlantic region (September data).

Nonmetro areas grouped by location	Fast-growth 70's & 80's			Fast-growth 70's; Slow-growth 80's	Slow-growth 70's & 80's		Slow-growth 70's; Decline 80's	
	Services	Finance, insurance & real estate	Wholesale & retail trade	Mining	Government	Transportation & public utilities	Construction	Manufacturing
				Percent change 1974-1979				
New York	14.3	3.2	13.1	—	9.1	– 3.7	– 4.7	– 3.0
Southeastern	13.0	9.3	11.3	—	10.2	– 3.8	– 6.5	– 0.7
Northern	14.0	0.0	17.4	—	11.6	5.7	1.9	4.3
Central	9.8	2.9	13.5	—	10.1	– 19.6	5.9	– 5.8
Western	20.5	0.0	13.8	—	5.0	0.0	– 15.3	– 6.0
Pennsylvania	15.6	20.0	17.5	39.6	18.6	3.3	– 6.1	– 3.2
Eastern	9.6	– 3.1	16.1	0.0	16.1	– 2.4	– 4.3	– 2.2
Northern	20.4	9.5	15.9	44.4	10.2	– 10.6	– 10.7	– 0.3
Central	13.1	52.4	16.4	25.0	21.9	14.0	7.8	– 1.5
Western	18.3	23.4	19.1	45.5	21.4	5.1	16.3	– 6.2
All nonmetro areas	14.9	11.1	15.3	39.6	13.2	0.4	1.0	– 3.1
				Percent change 1979-1984				
New York	14.1	5.6	6.0	—	2.1	2.9	– 10.9	– 10.4
Southeastern	14.8	12.8	11.3	—	4.3	2.0	2.3	0.1
Northern	10.5	0.0	5.9	—	3.7	7.1	– 20.0	– 5.4
Central	15.3	0.0	6.7	—	1.9	16.2	– 8.3	– 17.6
Western	15.9	7.0	1.3	—	– 1.1	– 7.6	– 14.0	– 14.6
Pennsylvania	15.2	3.6	2.0	– 9.6	– 9.7	– 9.6	– 23.6	– 19.4
Eastern	10.5	22.6	9.9	– 11.5	– 9.8	5.0	– 11.1	– 15.7
Northern	5.9	0.0	– 3.9	– 15.4	– 8.5	– 2.4	– 32.0	– 15.7
Central	22.1	– 5.7	5.3	– 40.0	– 14.8	– 20.0	– 23.6	– 13.6
Western	17.4	1.3	– 0.8	– 9.4	– 7.7	– 8.5	– 27.0	– 27.1
All nonmetro areas	14.6	4.5	3.9	– 9.6	– 3.2	– 4.7	– 17.8	– 15.5

Table 7. Percent of total employment in national fast-growth sectors and manufacturing by nonmetro area group in the Mid-Atlantic region (September data).

Nonmetro areas grouped by location	Fast-growth sectors		Manufacturing	
	1974	1984	1974	1984
New York	39.6	45.7	29.5	23.9
Southeastern	46.7	51.2	23.2	20.2
Northern	40.9	44.3	23.8	20.9
Central	39.5	46.4	30.7	22.8
Western	33.7	44.9	37.8	30.2
Pennsylvania	33.4	41.3	37.8	29.0
Eastern	32.4	39.4	40.8	33.0
Northern	32.2	38.8	42.2	36.3
Central	33.8	42.6	39.9	33.0
Western	34.2	42.1	33.7	22.6
All nonmetro areas	36.5	43.5	33.8	25.5

expansion of fast-growth sectors they should continue to expand employment.

The metro areas of the western part of the region stretching from Buffalo to Pittsburgh had declining total employment and large declines in manufacturing. By 1984, at least the Pennsylvania areas had a sector mix between fast-growth sectors and manufacturing nearly as favorable as the NNP area. The prime questions for the future would appear to be: Has manufacturing come close to bottoming out? and Can these areas retrench in other sectors?

Recent trends indicate a reversal in the fortunes of nonmetro areas in the region. Except for areas in southeastern and northern New York, there was a shift from growth to decline from the 70's to the 80's. In 1984, nonmetro areas were more oriented to the nationally declining manufacturing sector than metro areas. Their future appears tied to how manufacturing adjusts to competition. They also face the challenge of capturing more jobs in national fast-growth sectors.

—Theodore E. Fuller, Development Economist
The Pennsylvania State University

PENNSYLVANIA BUSINESS SURVEY

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PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **February 1986**

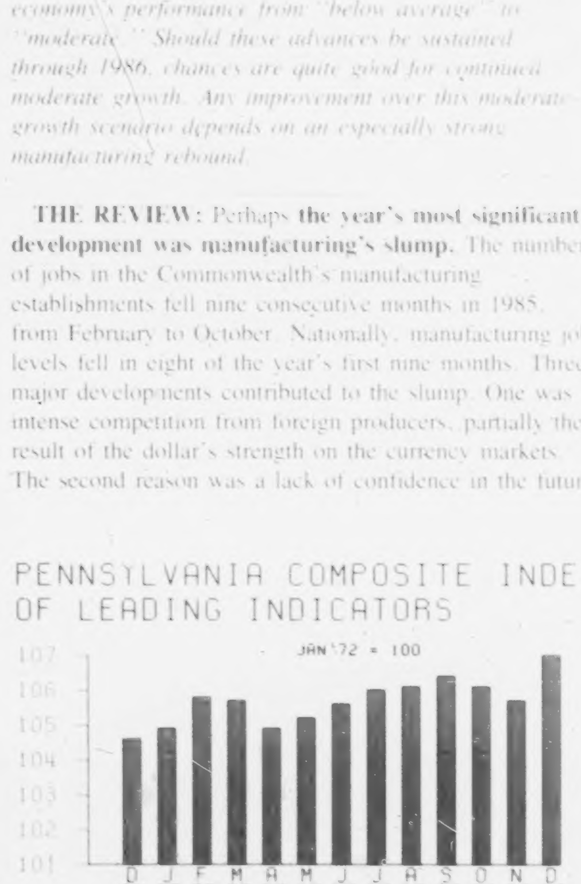
YEAR-END REVIEW AND OUTLOOK
Moderate Growth in 1985; More of the Same in 1986

On the surface, 1985 was not a year to be overly excited about the Pennsylvania economy. Early in the year, fears of a "growth recession" and, even worse, a full-fledged recession, were widespread. In most cases, Pennsylvania was outperformed by the nation. This trend is especially evident when employment patterns in nonagricultural establishments are examined. Additionally, the manufacturing sector turned in a poorer performance in Pennsylvania than in 1984.

However, a closer examination reveals some underlying strength in the economy which began to surface as the year drew to a close and the fourth year of the expansion began. This surge helped upgrade the economy's performance from "below average" to "moderate." Should these advances be sustained through 1986, chances are quite good for continued moderate growth. Any improvement over this moderate-growth scenario depends on an especially strong manufacturing rebound.

THE REVIEW: Perhaps **the year's most significant development was manufacturing's slump.** The number of jobs in the Commonwealth's manufacturing establishments fell nine consecutive months in 1985, from February to October. Nationally, manufacturing job levels fell in eight of the year's first nine months. Three major developments contributed to the slump. One was intense competition from foreign producers, partially the result of the dollar's strength on the currency markets. The second reason was a lack of confidence in the future course of the economy. When individuals, and especially firms, become concerned about the economy's strength, the first action they often take is to reduce their purchases of manufactured goods, especially durable goods. Finally, there has been a continuing trend towards labor-saving capital investment.

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY COLLEGE OF BUSINESS ADMINISTRATION

There was a 3.2 percent decline in manufacturing jobs in Pennsylvania, from 1.12 million in 1984 to 1.08 million in 1985. This is the lowest level on record since our data collection began in 1962 and follows a 1984 increase in excess of 2 percent. Nationally, there was a minimal increase in the number of jobs in the sector. In the Commonwealth, 23,000 of the 36,000 jobs lost were in durable goods industries.

The State's largest durable goods employer, primary metals, continued to have its share of problems, losing 12,000 jobs for a 10.2 percent decline compared to the nation's 5 percent fall. Job levels have declined each year since 1980. Pennsylvania's share of domestic production dipped from 15.5 percent in 1984 to 13.7 percent in 1985 as output fell 15.9 percent.

As the year drew to a close, manufacturing showed signs of a rebound. The number of jobs in Pennsylvania manufacturing establishments rose in November and December after seasonal adjustment. The average workweek, a leading indicator, rose in two of the final three months of the year after adjustment, as did total hours worked, payrolls, and electricity sales to industrial customers, a good proxy for production.

Still, the upturn was not enough to push these measures for the year as a whole above 1984 levels. Again, Pennsylvania performed poorer than the nation. A look at the average workweek illustrates that durable goods industries fared worse than nondurable goods industries. While the workweek in nondurable goods rose slightly, a substantial drop occurred in durable goods. The 0.3 hour drop in the manufacturing workweek to 39.9 hours was the first in three years. Nationally, the workweek stood at 40.5 hours, down 0.2 hour from 1984.

Despite the difficulties faced by the Commonwealth's manufacturers, **nonmanufacturing continued on an upward trend.** Job levels in the sector increased for the third straight year in rising 11 of the 12 months in 1985 to a record high 3.64 million. **The ability of the sector to "carry" the economy was surprising to many and**

does indicate some underlying strength. However, the 3.2 percent advance in Pennsylvania, which follows a 2.9 percent 1984 gain, was smaller than the 4.3 percent national gain.

In the nonmanufacturing sector, **Pennsylvania's construction and service-producing industries turned in strong 1985 performances.** The 193,000 construction jobs represent a 9.7 percent increase over 1984 compared to the nation's 7.3 percent advance. They also represent the largest number of jobs in the industry since 1979. A 6 percent increase in Pennsylvania construction jobs occurred in 1984. The value of construction contracts awarded rose in real and nominal terms. Gains in the residential building and nonbuilding categories offset a decline in the nonresidential group. The apparent increase in residential construction activity may be traced to two developments: lower interest rates, and hence, housing costs, and uncertainty over future tax laws as they relate to the construction of multifamily dwellings. The increase in contract values was larger than in the nation in the residential and nonbuilding groups. The Commonwealth's performance fell short of the nation's in the nonresidential building category.

Each of Pennsylvania's seven service-producing industries experienced job gains during 1985, but the gains in each were less than the national increases. Although the 3.4 million jobs in these industries were the highest on record, the 2.9 percent improvement over 1984 was less than the nation's 4.2 percent advance.

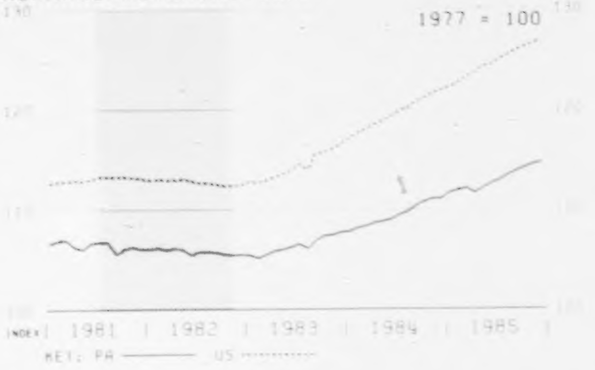
Four industries accounted for the bulk of the gains in Pennsylvania: wholesale trade; retail trade; finance, insurance, and real estate; and services. Gains in trade were helped by the well-publicized, at least at the national level, surge in spending as consumers loosened their purse strings. **Retail sales were up 7.1 percent in Pennsylvania during the first 11 months of the year compared to a 6.3 percent national gain.** Job increases in finance came about as deregulation continued sweeping through the industry, creating new employment opportunities. Gains in services industries were a byproduct of the overall trend towards a services-based economy and away from a manufacturing-based one.

Economic Activity in Pennsylvania	UNADJUSTED DATA 1985 Nov	UNADJUSTED DATA 1985 Dec	UNADJUSTED DATA 1984 Dec	SEASONALLY ADJUSTED DATA 1985 Nov	SEASONALLY ADJUSTED DATA 1985 Dec	SEASONALLY ADJUSTED DATA 1984 Dec	SEASONALLY ADJUSTED INDEXES (1977 = 100) 1985 Nov	SEASONALLY ADJUSTED INDEXES (1977 = 100) 1985 Dec	SEASONALLY ADJUSTED INDEXES (1977 = 100) 1984 Dec
Pennsylvania Industries									
All nonagricultural industries: No. of wage and salary jobs (thous.)	4,801[1]r	4,795	4,723	4,754[1]r	4,765	4,692	104.1r	104.4	102.8
Nonmanufacturing: No. of wage and salary jobs (thous.)	3,731[1]r	3,728	3,612	3,688[1]r	3,696	3,580	114.4r	114.7	111.1
Manufacturing									
No. of wage and salary jobs (thous.)	1,068	1,066	1,109	1,065	1,069	1,112	79.4	79.6	82.8
Ave. wkly. hrs. worked by prod. workers	40.9	41.0	40.3	39.9	40.7	40.0	100.9	103.0	101.2
Total wkly. person-hours worked (mils.)	29.3	29.7	30.7	28.9	29.4	30.5	75.3	76.7	79.5
Total wkly. payroll (mil. dols.)	283.0	290.9	290.9	279.8	287.0	286.9	124.1r	127.7	127.7
Steel production (thous. tons)	982	845	785	n.a.	n.a.	n.a.	50.1	49.0	43.3
Industrial electric power sales (mil. kwh)	3,344	3,418	3,385	3,477	3,533	3,494	94.1	95.7	94.6
Mining									
Anthracite coal (thous. net tons)	321	328	340	297	299	325	60.7	61.3	66.4
Bituminous coal (thous. net tons)	4,181	5,590	4,278	4,685	5,895	4,649	86.4	83.6	65.9
Construction contracts awarded (mil. dols.)									
Total	508.3	506.2	423.0	548.8	570.8	478.1	170.6	177.4	148.6
Residential building	204.1	183.1	129.4	226.2	243.4	178.1	160.7	172.9	126.5
Nonresidential building	153.4	173.2	153.5	155.2	180.5	171.6	143.1	166.4	158.2
Nonbuilding (utilities and public works)	150.8	149.8	140.0	161.4	146.9	128.4	230.9	202.7	177.1
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,109	5,177	5,140	5,002	5,149	5,113	104.1	107.2	106.4
Unemployed									
No. of persons (thous.)	418	408	405	433	419	417	107.9	104.5	103.9
Rate (percentage of labor force)	7.6	7.3	7.3						
Rate, seasonally adjusted				8.0	7.7	7.6			
Civilian labor force, no. of persons (thous.)	5,527	[illegible]	5,545	5,435	5,568	5,530	104.4	107.0	106.2
Initial claims for unemployment benefits	114,985	175,766	172,723	116,452	120,953	125,561	81.3	84.5	87.7

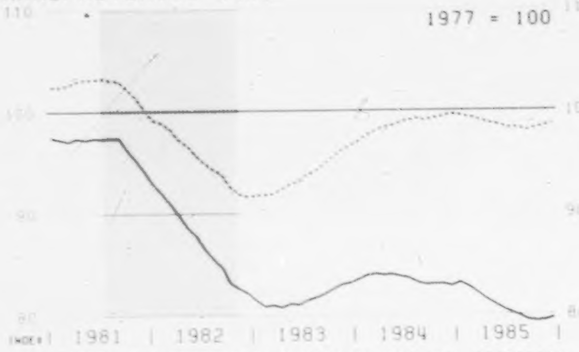
Consumer Prices, all items	Urban Indexes (1967 = 100) 1985 Nov	Urban Indexes (1967 = 100) 1985 Dec	Urban Indexes (1967 = 100) 1984 Dec	Percentage Change Month Ago	Percentage Change Year Ago
U.S. city average	326.6	327.4	315.5	+0.2	+3.8
Philadelphia	318.8	319.7	305.1	+0.3	+4.8
Pittsburgh	n.a.	331.5	322.1	n.a.	+2.9
Northeast PA	310.6	n.a.	301.1	n.a.	+3.2

NOTES: Data on employment, payrolls and hours have been revised to first quarter 1984 benchmarks.
[1] Total includes workers on strike. r = figure revised. † = figure for November 1984. n.a. = data not available.
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

NONMANUFACTURING JOBS



MANUFACTURING JOBS



SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

The lone dark spot in the nonmanufacturing sector occurred, not surprisingly, in mining. There were 38,000 jobs in the Pennsylvania mining industry in 1985, down from 39,000 in 1984. This represents the fifth decline in the last six years. Nationally, mining jobs fell in three of those years.

The 113,000 new jobs generated in the nonmanufacturing sector in 1985 more than offset the 36,000 jobs lost in manufacturing, resulting in 74,000 new nonagricultural jobs in Pennsylvania. The 4.7 million jobs in the Commonwealth's establishments was the highest since 1981. In addition to Pennsylvanians, this measure includes residents of other states holding positions in Commonwealth establishments. It also counts multiple job-holders more than once. The 1.6 percent 1985 gain realized in the Commonwealth was less than one-half the national advance and was lower than 1984's 2.7 percent gain.

There were more than 5.1 million Pennsylvanians employed in 1985 for a new record. The 2.3 percent increase translates into 117,000 new employed residents and is slightly higher than the nation's 2 percent increase.

Enough jobs were generated to absorb a net inflow of 62,000 into the labor force and to reduce the number of residents counted as unemployed by 55,000. **The unemployment rate fell from 9.1 percent to 8 percent following a 2.8 percentage point drop in 1984.** Nationally, the rate fell 0.3 point in 1985, from 7.5 to 7.2 percent.

Inflation was not a problem in 1985. Nationally, prices rose just 3.6 percent, higher than the increases in the Pittsburgh and Northeast Pennsylvania regions, but nearly one percentage point lower than the inflation rate in the Philadelphia region.

Given the changes in fiscal policy called for in the Gramm-Rudman deficit reduction statute, **the Federal Reserve must soon confront a major issue: whether or not to offset the spending cutbacks with a more expansive monetary policy.** Should the Fed choose to take up the slack caused by the spending reductions by easing credit, they may risk reigniting inflation. However, should the Fed decide against such action and hold steady, they may risk sending the economy into a tailspin.

Manufacturing activity has failed to return to pre-recession levels. Employment in the sector is down 21.8 percent from 1979. Declines were most severe in the durable goods industries. The steel industry turned in an especially poor performance. The average workweek is unchanged, while declines occurred in total hours worked and industrial electric power sales.

In the nonmanufacturing sector, **mining activity fell considerably from 1979 levels.** Both the number of jobs and output is down in the industry. **Construction's performance is mixed.** While employment is down slightly, the value of contracts awarded rose in both real and nominal terms. **The service-producing industries have expanded.** There were 7.8 percent more workers in these industries than in 1979. The finance and services industries turned in the strongest gains.

In part because of manufacturing's difficulties, **the 8 percent unemployment rate in 1985 was up 1.1 points from 1979.** There was a 20 percent increase in the number of unemployed, while resident employment was up only slightly. The Pennsylvania economy has not generated enough jobs to absorb the increase in the workforce since 1979.

THE OUTLOOK: The key to 1986 economic growth in Pennsylvania will be manufacturing. If the upturn which began in the sector during the final quarter of 1985 continues, economic growth should be quite healthy. Should the rebound prove to be temporary, growth will probably be sluggish. It is doubtful that the economy will be as strong as in the last few years without help from manufacturing.

The strength of a manufacturing rebound depends on several factors. Further declines in the dollar's value certainly would not hurt; however, it is hard to quantify these benefits at the state level. Any benefits that result from further depreciation will depend on the specifics of the decline. For instance, it is possible that the dollar's value may fall because of declines against the currencies of the major industrialized countries which offset appreciations relative to the currencies of developing countries. Hence, in the case of steel where many developing countries have emerged as competitors in the domestic market, the gains from a falling dollar would be minimal.

More important than the value of the dollar to manufacturing's future is economic expectations. **If the outlook is healthy, consumers tend to increase their purchases of durable goods, such as autos and appliances, while firms increase expenditures on capital goods.** These developments would benefit Pennsylvania manufacturers.

Further **growth in the nonmanufacturing sector will require additional income gains,** since a relatively large part of the purchases of nonmanufactured goods and services are discretionary and subject to adequate levels of income. If the employment picture continues to improve, these increases in income should be realized. However, on the plus side, a relatively large share of some service-related activities, such as business services, are exported from the State. Therefore, they are dependent more on national economic performance than on the health of the Pennsylvania economy.

In a nutshell, 1986 shapes up as follows:

— Based on the upward trend evident at the end of 1985, **the manufacturing sector may show some growth in 1986.** However, growth will probably be average at best, but still an improvement over last year.

— Nonmanufacturing will continue to grow as it benefits from manufacturing's gains. **Leading the way again will be the services, trade, and finance industries.**

Annual Review of Major Economic Indicators — Pennsylvania and the United States

	Pennsylvania					United States	
	Monthly Average			Percentage change		Percentage change	
	1985	1984	1979	84-85	79-85	84-85	79-85
No. of wage and salary jobs (thous.)							
All nonfarm industries	4,727	4,653	4,815	1.6	−1.8	3.4	8.8
Manufacturing	1,084	1,120	1,387	−3.2	−21.8	0.1	−7.7
Durable goods	622	645	854	−3.6	−27.2	0.4	−9.4
Primary metals	106	118	204	−10.2	−48.0	−5.0	−35.0
Nondurable goods	462	475	533	−2.7	−13.3	−0.4	−5.1
Nonmanufacturing	3,640	3,527	3,419	3.2	6.5	4.3	13.8
Mining	38	39	52	−2.6	−26.9	−0.5	1.1
Construction	193	176	204	9.7	−5.4	7.3	4.4
Service-producing industries	3,409	3,313	3,163	2.9	7.8	4.2	14.6
Transportation and public utilities	247	246	272	0.4	−9.2	2.5	3.2
Wholesale trade	258	250	239	3.2	7.9	4.0	10.9
Retail trade	803	783	753	2.6	6.6	5.0	16.2
Finance, insurance, and real estate	262	254	234	3.1	12.0	4.3	19.1
Services and miscellaneous	1,165	1,108	944	5.1	23.4	5.6	28.2
Federal government	135	134	131	0.7	3.1	2.4	3.6
State and local government	539	538	590	0.2	−8.6	4.9	1.9
Ave. wkly. hours worked by production workers							
All manufacturing industries	39.9	40.2	39.9	−0.7	0.0	−0.5	0.7
Durable goods	40.9	41.5	41.2	−1.4	−0.7	−0.5	1.0
Primary metals	40.8	40.8	41.5	0.0	−1.7	−0.5	0.2
Nondurable goods	38.6	38.5	37.9	0.3	1.8	0.0	0.8
Total factory person-hours worked (mils.)	29.5	31.0	39.7	−4.8	−25.7	−1.1	−11.6
Total factory payrolls (mil. dols.)	282	288	277	−2.1	1.8	2.4	25.7
Steel production (thou. tons)	1,007	1,198	2,351	−15.9	−57.2	−4.6	−35.9
Industrial electric power sales (mil. kwh)	3,510	3,634	3,954	−3.4	−11.2	n.a.	n.a.
Mining							
Anthracite coal (thou. net tons)[1]	317	347	403	−8.6	−21.3		
Bituminous coal (thou. net tons)	4,923	6,037	7,431	−18.5	−33.8	20.7	25.2
Construction contracts awarded							
Total, current dollars (mils.)	584.2	558.3	385.5	4.6	51.5	7.6	35.1
Residential building	254.9	214.6	167.8	18.8	51.9	5.3	43.2
Nonresidential building	193.2	226.4	135.5	−14.7	42.6	8.7	60.8
Nonbuilding (utilities and public works)	136.1	117.3	82.2	16.0	65.6	12.0	−8.1
Total, constant 1977 dollars (mils.)[2]	348.2	341.1	299.3	2.1	16.3	5.0	3.7
Residential building	151.9	131.1	130.3	15.9	16.6	2.7	9.9
Nonresidential building	115.1	138.3	105.2	−16.8	9.4	6.1	23.5
Nonbuilding	81.1	71.7	63.8	13.1	27.1	9.3	−29.5
Employed, no. of persons (thous.)	5,105	4,988	4,990	2.3	2.3	2.0	8.4
Unemployed							
No. of persons (thous.)	444	499	370	−11.0	20.0	−2.7	35.4
Rate (percentage of labor force)	8.0	9.1	6.9				
Civilian labor force, no. of persons (thous.)	5,549	5,487	5,360	1.1	3.5	1.7	10.0
Initial claims for unemployment benefits (thous.)	126	125	144	0.8	−12.5	4.7	n.a.
Consumer Price Index for All Urban Consumers, all items (1967 = 100)							
U.S. city average						3.6	48.2
Philadelphia	314.2	300.6	213.6	4.5	47.1		
Pittsburgh	326.6	319.0	217.3	2.4	50.3		
Northeast PA	306.1	295.9	210.7	3.4	45.3		

NOTES: All data are preliminary and are subject to revision.

[1] Pennsylvania is the only state mining anthracite coal.

[2] Deflated by an estimated annual average of the U.S. Department of Commerce Monthly Composite Construction Cost Index.

Resident employment should show moderate advances and **the unemployment rate will probably fall slightly from its 8 percent 1985 level.**

Assuming these trends do in fact transpire, the recovery will enter its fifth year, making it the third longest in post-World War II history.

William D. Anderson

Around the State

Northeastern Quarter

Allentown-Bethlehem

Trends in the Allentown-Bethlehem area mirrored those in the State in 1985: strength in nonmanufacturing alongside weakness in manufacturing. The end result was moderate growth in 1985, albeit less than in 1984.

There was a 4.4 percent gain in nonmanufacturing jobs last year compared to 1984's 5.7 percent increase. Job levels rose each quarter after seasonal adjustment, settling at a record 177,600 for the year, up 7,500 from a year ago. The situation was not so bright in manufacturing where the number of jobs fell each quarter after adjustment. The 87,000 jobs in the sector represent the lowest level on record. There were 4 percent fewer jobs relative to a year ago following a 2.8 percent 1984 increase. Losses occurred in both durable and nondurable goods industries.

Job levels in all nonagricultural establishments in the area rose for the third straight year. The 264,900 jobs represent a 1.6 percent annual gain following a 4.6 percent increase in 1984.

Nonresidential construction contract values, at $10 million per month, were one-half their 1984 level. The shortfall was due to a poor fourth quarter relative to a year ago. The $19.8 million in residential awards on a monthly basis represents a 17.9 percent gain over 1984. Awards were higher each quarter compared to year-ago levels.

Resident employment was up 2.4 percent in 1985, nearly identical to the State's advance, despite a seasonally adjusted 1.4 percent fall in the fourth quarter. At 291,700, employment set a new record. The 1985 gain was one-half the 1984 advance. Despite adjusted increases in the second and fourth quarters, the number of residents counted as unemployed dropped for the second straight year, averaging 25,700. This helped lower the unemployment rate from 8.7 percent to 8.1 percent following a 3.3 percentage point decline in 1984.

A glance at trends since 1979 highlights the structural changes taking place in the economy. There has been a considerable fall in manufacturing activity over the period. However, the slack in that sector has been offset by strength in nonmanufacturing, where there was a 15.5 percent increase in jobs and a corresponding increase in its relative importance. Overall, resident employment rose 3.6 percent. The number of unemployed was 29.1 percent higher and the unemployment rate stood 1.5 points higher than in 1979.

Scranton-Wilkes-Barre

The economy of the Scranton-Wilkes-Barre area grew moderately in 1985 as gains in nonmanufacturing offset losses in manufacturing. In fact, job levels in nonmanufacturing rose 3.4 percent to an all-time high 200,000 after a 1.9 percent gain in 1984. A 0.9 percent seasonally adjusted gain in the fourth quarter contributed to the increase.

Manufacturing job levels fell 2.5 percent to their second lowest level since record keeping began in 1974, 74,200. However, the slight seasonally adjusted increase in the fourth quarter was the first since 1984:IVQ. The decline in 1985 follows a 3.3 percent increase in 1984. Overall, the number of jobs in the area's nonagricultural establishments rose by 4,500 last year to 274,100.

Allentown-Bethlehem Area[1]

	Ave. mo. value 4 Q 85	Average monthly index seas. adj. (1977 = 100) 4 Q 85	3 Q 85	4 Q 84
Employment *(in thousands)*				
Employed, no. of residents	292.4	106	108	106
Unemployed, no. of residents	25.9	132	121	125
Rate, seasonally adjusted	8.7	-		
Civilian labor force, no. of residents	318.2	108	108	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	265.7	103	103	103
Nonmfg. only, no. of jobs	182.0	122	120	117
Mfg. only, no. of jobs	83.6	78	80	84
Hrs. worked by production workers in mfg., ave. weekly	39.3	103	103	102
Industrial electric power sales				
Metropolitan area	...	109	109	106
Allentown	...	101	104	103
Bethlehem	...	115	113	113
Easton	...	103	99	100

Construction contracts awarded *(in millions of dollars)*	Total 4 Q 85	Percentage Change Quarter Ago	Percentage Change Year Ago
Residential contracts only	64.8	−5	+23
Nonresidential contracts only	42.2	+61	−74

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Sales of electricity to industrial customers, a good proxy for production, fell 1.4 percent in the region during 1985 following a 6.1 percent increase in 1984. At 37.9 hours, the average workweek in the area's manufacturing establishments was 2 hours less than in the Commonwealth.

Enough jobs were created in the region's economy to absorb an increase in the labor force and reduce the number of unemployed. Resident employment rose by 8,400 to 312,200, a new record. This translates into a 2.8 percent gain compared to the Commonwealth's 2.3 percent increase. Coupled with the increase of 4,400 in the labor force, this reduced the number of unemployed by 3,900 to 32,400, the lowest level since 1979. The end result was a 1.3 percentage point decline in the unemployment rate, from 10.7 percent to 9.4 percent. A similar decline occurred in 1984.

The economy of the region has performed slightly better than the Commonwealth's since 1979, the year before the back-to-back recessions of the early 1980's. Manufacturing job levels declined 15.1 percent over the 1979-1985 period compared to the State's 21.8 percent

	Allentown-Bethlehem			Altoona			Beaver		
	1985	1984	Percentage Change 84-85	1985	1984	Percentage Change 84-85	1985	1984	Percentage Change 84-85
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	264.9	260.8	1.6	48.8	47.8	2.1	54.8	55.7	− 1.6
Manufacturing	87.0	90.6	− 4.0	11.1	11.3	− 1.8	15.2	17.2	−11.6
Durable goods	42.8	44.5	− 3.8	4.8	5.0	− 4.0	12.9	14.8	−12.8
Nondurable goods	44.2	46.2	− 4.3	6.3	6.3	0.0	2.3	2.4	− 4.2
Nonmanufacturing	177.6	170.1	4.4	37.7	36.5	3.3	39.6	38.5	2.9
Ave. wkly. hours worked by production workers									
Manufacturing	39.2	39.1	0.3	39.2	39.3	− 0.3	39.6	41.2	− 3.9
Durable goods	41.5	42.0	− 1.2	39.1	39.7	− 1.5	39.5	41.3	− 4.4
Nondurable goods	37.0	36.6	1.1	39.2	38.9	0.8	40.1	40.5	− 1.0
Industrial electric power sales index (1977 = 100)	108.5	105.1	3.2	81.5	84.3	− 3.3	n.a.	n.a.	
Construction contracts awarded (mil. dols.)									
Residential building	19.8	16.8	17.9	2.0	1.8	11.1	1.9	2.4	−20.8
Nonresidential building	10.0	20.1	−50.2	1.4	2.4	−41.7	0.9	0.8	12.5
Employment of Residents									
Employed, no. of persons (thous.)	291.7	284.8	2.4	51.3	49.8	3.0	67.9	68.0	− 0.1
Unemployed									
No. of persons (thous.)	25.7	27.2	− 5.5	5.8	6.3	− 7.9	10.4	10.8	− 3.7
Rate (percentage of labor force)	8.1	8.7		10.2	11.3		13.3	13.7	
Civilian labor force, no. of persons (thous.)	317.4	312.0	1.7	57.1	56.1	1.8	78.2	78.7	− 0.6

	Erie			Harrisburg-Lebanon-Carlisle			Johnstown		
	1985	1984	Percentage Change 84-85	1985	1984	Percentage Change 84-85	1985	1984	Percentage Change 84-85
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	109.9	108.1	1.7	273.6	268.5	1.9	77.2	75.5	2.3
Manufacturing	36.3	36.2	0.3	51.7	53.8	− 3.9	12.3	12.6	− 2.4
Durable goods	26.0	26.4	− 1.5	24.3	25.9	− 6.2	6.7	7.1	− 5.6
Nondurable goods	10.3	9.8	5.1	27.4	28.0	− 2.1	5.5	5.6	− 1.8
Nonmanufacturing	73.6	71.3	3.2	221.8	214.6	3.4	64.8	62.7	3.3
Ave. wkly. hours worked by production workers									
Manufacturing	42.0	42.1	− 0.2	39.5	39.9	− 1.0	37.3	37.2	0.3
Durable goods	41.1	41.9	− 1.9	40.0	40.7	− 1.7	39.0	38.9	0.3
Nondurable goods	44.3	42.9	3.3	39.1	39.2	− 0.3	35.1	35.2	− 0.3
Industrial electric power sales index (1977 = 100)	92.5	91.3	1.3	74.2	88.9	−16.5	148.0	145.6	1.6
Construction contracts awarded (mil. dols.)									
Residential building	3.7	3.5	5.7	14.8	12.3	20.3	3.5	3.6	− 2.8
Nonresidential building	3.0	3.8	−21.1	10.0	19.6	−49.0	3.0	2.0	50.0
Employment of Residents									
Employed, no. of persons (thous.)	114.3	111.2	2.8	298.1	289.3	3.0	88.9	86.1	3.3
Unemployed									
No. of persons (thous.)	10.9	12.2	−10.7	16.7	17.7	− 5.6	12.3	14.4	−14.6
Rate (percentage of labor force)	8.7	9.9		5.3	5.8		12.2	14.3	
Civilian labor force, no. of persons (thous.)	125.2	123.4	1.5	314.8	307.0	2.5	101.2	100.5	0.7

NOTE: All 1985 data are preliminary and are subject to revision.
All data are average of monthly figures.

decline. The increase in nonmanufacturing jobs has been nearly identical to the Commonwealth's. The region realized a 3.1 percent increase in total employment, while the State saw employment rise 2.3 percent. Similarly, the increase in the region's unemployment rate over the period, 0.5 percentage point, was less than one-half the increase in the Commonwealth.

Williamsport

The Williamsport area economy moved forward ever so slightly in 1985. Job losses in manufacturing were not as severe as in most parts of the State. There were 15,000 manufacturing positions in the area's economy, 0.7 percent less than in 1984 and the second lowest level on record. Declines in nondurable goods industries offset gains in durable goods. The Commonwealth suffered a 3.2 percent job decline in the sector. In 1984, the area realized an 8.6 percent gain in manufacturing jobs.

At the same time, job levels in nonmanufacturing establishments were at an all-time high in the region last year. The 30,500 nonmanufacturing positions represent a gain of 2 percent over 1984 as job levels rose in each of

	Lancaster			Philadelphia			Pittsburgh		
	1985	1984	Percentage Change 84-85	1985	1984	Percentage Change 84-85	1985	1984	Percentage Change 84-85
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	164.7	161.0	2.3	2,016.4	1,983.7	1.6	841.4	836.0	0.6
Manufacturing	57.0	58.1	−1.9	395.0	396.3	−0.3	137.4	147.6	−6.9
Durable goods	33.8	33.5	0.9	214.1	212.2	0.9	100.6	109.8	−8.4
Nondurable goods	23.2	24.6	−5.7	180.9	184.1	−1.7	36.8	37.8	−2.6
Nonmanufacturing	107.7	102.8	4.8	1,621.4	1,587.4	2.1	703.6	687.6	2.3
Ave. wkly. hours worked by production workers									
Manufacturing	39.9	39.9	0.0	40.1	40.3	−0.5	40.7	41.0	−0.7
Durable goods	40.6	41.2	−1.5	41.1	41.3	−0.5	40.9	41.2	−0.7
Nondurable goods	39.0	38.4	1.6	39.0	39.2	−0.5	40.1	40.1	0.0
Industrial electric power sales index (1977 = 100)	133.7	130.8	2.2	100.3	99.5	0.8	67.2	76.5	−12.2
Construction contracts awarded (mil. dols.)									
Residential building	13.9	12.6	11.7	117.6	91.7	28.2	31.4	32.4	−3.1
Nonresidential building	9.0	9.2	−3.8	108.7	103.7	4.8	44.5	39.2	13.5
Employment of Residents									
Employed, no. of persons (thous.)	189.0	183.0	3.3	2,136.2	2,089.8	2.2	873.1	857.6	1.8
Unemployed									
No. of persons (thous.)	8.9	9.3	−4.3	136.3	153.0	−10.9	90.4	110.2	−18.0
Rate (percentage of labor force)	4.5	4.8		6.0	6.8		9.4	11.4	
Civilian labor force, no. of persons (thous.)	198.0	192.3	3.0	2,272.4	2,242.8	1.3	963.5	967.8	−0.6

	Reading			Scranton-Wilkes-Barre			Sharon		
	1985	1984	Percentage Change 84-85	1985	1984	Percentage Change 84-85	1985	1984	Percentage Change 84-85
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	144.6	142.2	1.6	274.2	269.6	1.7	39.7	39.9	−0.5
Manufacturing	50.7	52.9	−4.2	74.2	76.1	−2.5	10.3	10.7	−3.7
Durable goods	30.7	31.7	−3.2	27.7	28.1	−1.4	9.1	9.5	−4.2
Nondurable goods	20.0	21.2	−5.7	46.5	48.0	−3.1	1.1	1.2	−8.3
Nonmanufacturing	93.9	89.3	5.2	200.0	193.4	3.4	29.5	29.1	1.4
Ave. wkly. hours worked by production workers									
Manufacturing	40.4	40.6	−0.5	37.9	38.1	−0.5			—
Durable goods	41.2	42.0	−1.9	41.2	41.8	−1.4			
Nondurable goods	39.7	39.2	1.3	36.1	36.2	−0.3			
Industrial electric power sales index (1977 = 100)	123.6	125.6	−1.6	101.3	102.7	−1.4	101.8	108.4	−6.1
Construction contracts awarded (mil. dols.)									
Residential building	7.8	6.6	18.2	17.3	12.6	37.3	1.6	1.5	6.7
Nonresidential building	2.5	5.5	−54.5	5.8	11.3	−48.7	1.5	1.6	−6.3
Employment of Residents									
Employed, no. of persons (thous.)	155.4	151.0	2.9	312.2	303.8	2.8	44.1	43.7	0.9
Unemployed									
No. of persons (thous.)	12.2	11.7	4.3	32.4	36.3	−10.7	4.8	6.3	−23.8
Rate (percentage of labor force)	7.3	7.2		9.4	10.7		9.9	12.5	
Civilian labor force, no. of persons (thous.)	167.6	162.7	3.0	344.5	340.1	1.3	49.0	50.0	−2.0

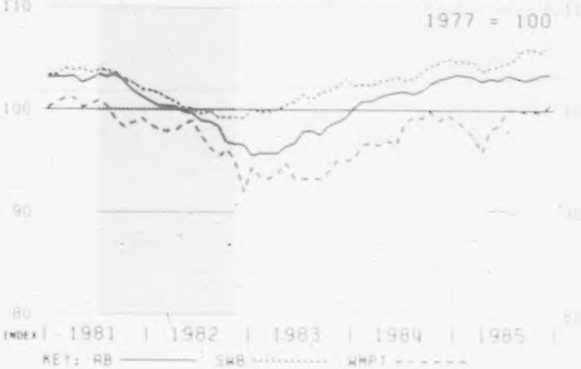
NOTE: All 1985 data are preliminary and are subject to revision.
All data are average of monthly figures.

the last three quarters after seasonal adjustment. The 600 additional jobs in the sector overshadowed the 100 lost in manufacturing, resulting in a gain of 500 jobs in all nonagricultural establishments to 45,500.

There was a gain of 0.2 hour in the average manufacturing workweek in the region to 39.6 hours, after a strong second half of the year. However, the area's workweek was still below the Commonwealth's 39.9 hours. There was a disappointing decline of 24.3 percent in electricity sales to industry.

The unemployment rate in the region in 1985, 9.5 percent, was higher than the Commonwealth's 8 percent. The jobless rate fell 1.5 percentage points from a year

INDUSTRY JOBS NORTHEASTERN QUARTER



SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 4 Q '85	Average monthly index seas. adj. (1977 = 100) 4 Q '85	3 Q '85	4 Q '84
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	316.8	110	110	108
Lackawanna County[2]	98.3	110	111	108
Luzerne County[3]	148.0	110	111	108
Unemployed, no. of residents				
Metropolitan area	30.0	96	95	102
Rate, seasonally adjusted	8.9			
Lackawanna County[2]	7.2	78	90	86
Luzerne County[3]	16.5	108	104	116
Civilian labor force, no. of residents				
Metropolitan area	346.8	108	109	108
Lackawanna County[2]	105.5	107	109	106
Luzerne County[3]	164.5	110	110	109
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	277.7	106	105	105
Nonmfg. only, no. of jobs	203.8	114	113	111
Mfg. only, no. of jobs	73.7	89	89	92
Hrs. worked by production workers in mfg. (ave. weekly)	37.9	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	101	101	102
Lackawanna County[2]	***	110	108	106
Luzerne County[3]	***	93	95	96
Hazleton	***	85	88	89
Wilkes-Barre	***	98	97	100

Construction contracts awarded *(in millions of dollars)*	Total 4 Q '85	Percentage Change Quarter Ago	Year Ago
Residential contracts only	54.8	−16	+51
Nonresidential contracts only	15.2	−67	−71

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties.
[2] Includes Scranton.
[3] Includes Wilkes-Barre and Hazleton.
[4] Excludes Wyoming County.

	State College 1985	1984	Percentage Change 84-85	Williamsport 1985	1984	Percentage Change 84-85	York 1985	1984	Percentage Change 84-85
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	50.5	48.3	4.6	45.5	45.0	1.1	162.0	157.9	2.6
Manufacturing	7.9	8.0	−1.2	15.0	15.1	−0.7	59.1	59.7	−1.0
Durable goods	5.2	5.3	1.9	8.7	8.6	1.2	37.3	37.5	−0.5
Nondurable goods	2.8	2.6	7.7	6.3	6.5	−3.1	21.8	22.2	−1.8
Nonmanufacturing	42.5	40.4	5.2	30.6	29.9	2.0	102.9	97.8	5.2
Ave. wkly. hours worked by production workers									
Manufacturing				39.6	39.4	0.5	41.0	41.5	−1.2
Durable goods				40.3	40.1	0.5	41.4	42.3	−2.1
Nondurable goods				38.6	38.6	0.0	40.0	40.3	−0.7
Industrial electric power sales index (1977 = 100)	100.1	104.1	3.8	79.6	105.2	24.3	104.7	102.0	2.6
Construction contracts awarded (mil. dols.)									
Residential building	5.5	3.9	41.0	1.5	1.1	36.4	10.0	8.3	20.5
Nonresidential building	2.9	2.8	3.6	2.7	2.1	28.6	3.6	3.8	5.3
Employment of Residents									
Employed, no. of persons (thous.)	51.4	48.6	5.8	47.2	46.2	2.2	175.3	169.0	3.7
Unemployed									
No. of persons (thous.)	4.1	4.2	−2.4	4.9	5.7	14.0	13.6	14.7	7.5
Rate (percentage of labor force)	7.4	8.0		9.5	11.0		7.2	8.0	
Civilian labor force, no. of persons (thous.)	55.5	52.9	4.9	52.1	51.9	0.4	189.0	183.6	2.9

NOTE: All 1985 data are preliminary and are subject to revision.
All data are average of monthly figures.

Williamsport Area[1]

	Ave. mo. value 4 Q '85	Average monthly index seas. adj. (1977 = 100) 4 Q '85	3 Q '85	4 Q '84
Employment *(in thousands)*				
Employed: no. of residents	48.3	103	104	102
Unemployed: no. of residents	4.1	99	101	111
Rate: seasonally adjusted	8.9			
Civilian labor force: no. of residents	52.5	102	104	103
Local industries *(in thousands)*				
All nonagricultural ind.: no. of wage and salary jobs	46.6	100	100	100
Nonmfg. only: no. of jobs	31.3	110	109	107
Mfg. only: no. of jobs	15.3	85	86	87
Hrs. worked by production workers in mfg.: ave. weekly	41.0	106	102	100
Industrial electric power sales	[illegible]	76	79	101

Construction contracts awarded *(in millions of dollars)*	Total 4 Q '85	Percentage Change Quarter Ago	Year Ago
Residential contracts only	3.8	−49	+27
Nonresidential contracts only	3.4	−82	+ 3

[1] Lycoming County

earlier despite a seasonally adjusted increase in the fourth quarter. In 1984, a 3.4 point drop in the unemployment rate occurred. Part of 1985's decline was due to a decrease of 800 in the number of residents counted as unemployed to 4,900, the lowest level since 1978.

Resident employment in the region rose to its highest level since 1979 last year, 47,200, despite a fourth quarter decrease after seasonal adjustment. The 2.2 percent increase follows a 3.8 percent gain in 1984 and was only slightly less than the Commonwealth's 2.3 percent advance.

On the construction front, the area was one of only three in the State to realize gains in the value of both residential and nonresidential construction contracts. The $1.5 million monthly average in residential contracts represents a gain of 36.4 percent over 1984, while on the nonresidential side, the 28.6 percent gain left contract values at $2.7 million per month.

Southwestern Quarter

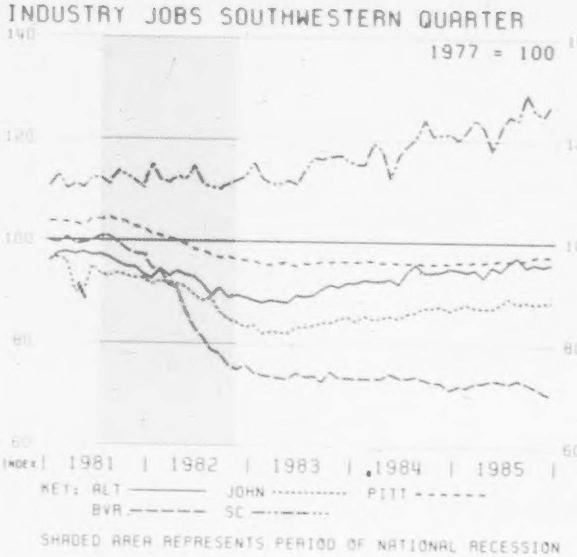
Altoona

Spurred by gains in the nonmanufacturing sector, the Altoona area economy grew at a moderate pace in 1985, but failed to surpass 1984's gains. At 10.2 percent, the unemployment rate in the region was at its lowest level since 1980 despite a seasonally adjusted 0.4 percentage point jump in the fourth quarter. There was a 1.1 point drop in 1985 compared to 1984's 4.8 point decline. The 5,800 residents counted as unemployed represent a decline of 500 on the heels of a 1984 decline of 2,900. More residents were employed, 51,300, than at any time since 1980.

The nonmanufacturing sector accounted for all of the increase in nonagricultural jobs in the region. There were 48,800 nonagricultural jobs in 1985, up by 1,000 compared to 1984. A gain of 1,200 jobs in the nonmanufacturing sector offset a loss of 200 in the area's manufacturing establishments.

There were 37,700 jobs in nonmanufacturing establishments as increases in the first three quarters offset a fourth quarter decline after seasonal adjustment. The increase was similar to 1984's, leaving the number of jobs in the sector at its highest level since 1980. Manufacturing jobs, on the other hand, were at their second lowest level on record, 11,100, after declining in three of the four quarters. Job levels in nondurable goods were unchanged from 1984, while there was a decline of 200 in durable goods. The sector's poor performance follows a 6.6 percent gain in 1984.

At $2 million per month, construction contract awards



Altoona Area[1]

	Ave. mo. value 4 Q '85	Average monthly index seas. adj. (1977 = 100) 4 Q '85	3 Q '85	4 Q '84
Employment *(in thousands)*				
Employed: no. of residents	52.0	99	101	98
Unemployed: no. of residents	5.7	143	145	135
Rate: seasonally adjusted	10.5			
Civilian labor force: no. of residents	57.7	102	104	101
Local industries *(in thousands)*				
All nonagricultural ind.: no. of wage and salary jobs	49.3	96	96	94
Nonmfg. only: no. of jobs	38.3	100	100	97
Mfg. only: no. of jobs	11.0	84	84	87
Hrs. worked by production workers in mfg.: ave. weekly	39.0	103	104	104
Industrial electric power sales	[illegible]	81	81	82

Construction contracts awarded *(in millions of dollars)*	Total 4 Q '85	Percentage Change Quarter Ago	Year Ago
Residential contracts only	9.1	+128	+128
Nonresidential contracts only	6.0	+ 40	− 73

[1] Blair County

for residential buildings were valued 11.1 percent higher than in 1984 on the strength of a healthy final quarter. Activity in the nonresidential area was down in 1985 as the $1.4 million monthly contract awards fell 41.7 percent below 1984 levels. A weak fourth quarter contributed to the shortfall.

The Altoona region has not returned to pre-recession levels of economic activity. Jobs in both the manufacturing and nonmanufacturing sectors have failed to attain 1979 levels. Given the 6.5 percent increase in nonmanufacturing jobs since 1979 in the Commonwealth, the Altoona region's 3.6 percent decline is troublesome. Resident employment was down 2.8 percent, while the unemployment rate stood 1.2 percentage points higher than in 1979.

Johnstown

The Johnstown area economy showed modest gains in 1985 after a strong year in 1984. The region's unemployment rate averaged 12.2 percent last year, the lowest since 1979. This represents a decline of 2.1 percentage points from a year earlier following 1984's 6 point decline. A 0.5 percentage point increase in the fourth quarter after seasonal adjustment prevented a larger decline.

An increase of 2,800 in the number of area residents employed to 88,900 contributed to the decline. There was a net inflow of 700 into the labor force, which, together with the increase in employment, lowered the number of residents counted as unemployed by 2,100 to 12,300.

The nonmanufacturing sector fueled economic growth in the Johnstown area in 1985 despite a seasonally adjusted decline in the year's final quarter. The 64,800 positions in the sector represent a gain of 2,100 over the previous year following an increase of 1,900 in 1984. Unlike the situation in the Commonwealth as a whole, nonmanufacturing job levels failed to set a record in 1985.

Manufacturing jobs fell to their lowest level on record, 12,300, a decline of 300 from 1984 when an increase of 200 jobs was registered. After seasonal adjustment, the number of jobs in area establishments was unchanged from the third quarter in the October-December period following declines in the first three quarters of the year. Despite manufacturing's slump, there were 1,700 more nonagricultural positions in the area's establishments in 1985 compared to 1984.

On the bright side, there was a slight 0.1 hour increase in the average manufacturing workweek to 37.3 hours as a gain in durable goods industries offset a decline in nondurable goods. A fourth quarter seasonally adjusted decline kept the improvement to a minimum. In 1984, there was a 1.1 hour increase in the area's workweek. There was a 1.6 percent increase in electricity sales to industrial customers in 1985. The increases in the workweek and electricity sales suggest that there is some hope for improvement in manufacturing.

Johnstown Area[1]

	Ave. mo. value 4 Q. 85	Average monthly index seas. adj. (1977 = 100) 4 Q. 85	3 Q. 85	4 Q. 84
Employment *(in thousands)*				
Employed, no. of residents	89.3	91	92	90
Unemployed, no. of residents	11.5	111	112	131
Rate, seasonally adjusted	12.0			
Civilian labor force, no. of residents	100.9	93	94	94
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	77.6	88	89	87
Nonmfg. only, no. of jobs	65.5	98	98	96
Mfg. only, no. of jobs	12.2	58	58	59
Hrs. worked by production workers in mfg., ave. weekly	36.8	95	98	94
Industrial electric power sales	...	158	154	141

Construction contracts awarded *(in millions of dollars)*	Total 4 Q. 85	Percentage Change Quarter Ago	Percentage Change Year Ago
Residential contracts only	9.1	− 20	+ 7
Nonresidential contracts only	11.9	+ 129	+ 376

[1] Cambria and Somerset Counties

Relative to the State, the Johnstown area has had a difficult time adapting to the changing economic environment in the first half of this decade. Manufacturing job levels have declined 39.4 percent from 1979, while there are 7.8 percent fewer nonmanufacturing jobs. Resident employment is down, while unemployment is up.

State College

Trends in the State College area economy in 1985 coincided with those throughout the Commonwealth as gains in nonmanufacturing offset losses in manufacturing. All told, there were 50,500 nonagricultural jobs in the region's establishments last year, up 2,200 from 1984 when 1,800 positions were added.

Nonmanufacturing job levels stood at an all-time high of 42,500, a gain of 2,100 or 5.2 percent. Jobs in the sector rose 3.2 percent in the Commonwealth in 1985. The increase follows a 3.3 percent gain in the region in 1984. Seasonally adjusted job levels rose in three of the four quarters, including a 0.7 percent gain in the October-December period. There were 20.1 percent more jobs in the sector in 1985 relative to 1979, more than three times the increase in the Commonwealth.

Jobs in the region's manufacturing establishments stood at 7,900 in 1985, down a slight 100 from a year earlier. This follows a gain of 600 jobs in 1984. Had it not been for a poor fourth quarter, there may have been a year-over-year increase in 1985. The State College metropolitan area actually had a 9.7 percent increase in the number of manufacturing jobs over the 1979-1985 period, the only area to realize such an increase.

Spurred by the gains in nonmanufacturing, resident employment in the region rose 5.8 percent to a record high 51,400. This is more than twice the 2.3 percent gain realized in the Commonwealth and is larger than 1984's 4.1 percent gain.

State College Area[1]

	Ave. mo. value 4 Q '85	Average monthly index seas. adj. (1977 = 100) 4 Q '85	3 Q '85	4 Q '84
Employment *(in thousands)*				
Employed: no. of residents	53.5	125	127	121
Unemployed: no. of residents	4.2	165	139	158
Rate: seasonally adjusted	7.8			
Civilian labor force: no. of residents	57.7	128	128	123
Local industries *(in thousands)*				
All nonagricultural ind.: no. of wage and salary jobs	52.5	126	126	121
Nonmfg. only: no. of jobs	44.9	127	126	121
Mfg. only: no. of jobs	7.7	120	126	124
Industrial electric power sales	***	97	100	101

Construction contracts awarded *(in millions of dollars)*	Total 4 Q '85	Percentage Change Quarter Ago	Year Ago
Residential contracts only	11.1	− 42	+46
Nonresidential contracts only	11.7	+20	−47

[1] Centre County

The number of residents counted as unemployed fell a slight 2.4 percent last year to 4,100. Still, coupled with the increase in employment, it was enough to push the jobless rate down 0.6 percentage point to 7.4 percent. This follows a 2.6 point fall in 1984 and occurred despite a 1.2 percentage point gain after seasonal adjustment in the fourth quarter. The unemployment rate remained 1.6 points higher than in 1979, while the number of individuals counted as unemployed stood 51.9 percent above pre-recession levels.

Both residential and nonresidential construction contract awards rose in value last year. At $5.5 million per month, residential awards were 41 percent higher than in 1984, the sharpest advance in the State. Nonresidential contract awards rose 3.6 percent over 1984 levels, settling at $2.9 million per month, considerably better than the State's 14.7 percent decline.

Pittsburgh-Beaver Valley

Economic growth in the Pittsburgh-Beaver Valley area remained below that for the Commonwealth in 1985. The jobless rate in Beaver County, 13.3 percent, was the highest of all metropolitan areas and was down just 0.4 percentage points from a year ago. Similarly, the unemployment rate in the Pittsburgh area, 9.4 percent, was well above the Commonwealth's 8 percent. However, the Pittsburgh area's unemployment rate was 2 percentage points less than in 1984.

Resident employment in the Pittsburgh area rose 15,500 last year to 873,100, the largest increase since 1979. However, the number of residents counted as unemployed fell 19,800 to 90,400, resulting in a decline in the labor force of 4,300. Hence, some of the decline in unemployment was apparently the result of individuals leaving the workforce, rather than finding jobs.

In Beaver County, resident employment actually fell by 100 last year to 67,900, the only metropolitan area in which this occurred. At the same time, the number of residents counted as unemployed fell 400 to 10,400. The decline in unemployment was not the result of employment gains, but rather the result of individuals leaving the labor force.

The 1985 decline in manufacturing jobs in the Pittsburgh area, 6.9 percent, and in Beaver County, 11.6 percent, were much larger than the Commonwealth's 3.2 percent decline. Manufacturing job levels in both areas were at all-time lows in 1985.

On the bright side, jobs in the nonmanufacturing sector rose in Beaver County by 2.9 percent and in the Pittsburgh area by 2.3 percent. The 39,600 nonmanufacturing positions in Beaver County represent the highest level since 1981, while the 703,600 jobs in the Pittsburgh area represent the highest level since data collection began in 1974.

Average weekly hours worked in manufacturing establishments declined in the Pittsburgh area and in Beaver County in 1985. The 40.7 hour average workweek in Pittsburgh was 0.8 hour above the Commonwealth's 39.9 hours, while Beaver County's workweek stood 0.3 hour below Pennsylvania's at 39.6 hours.

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value 4 Q '85	Average monthly index seas. adj. (1977 = 100) 4 Q '85	3 Q '85	4 Q '84
Employment *(in thousands)*				
Employed: no. of residents				
Pittsburgh[1]	887.8	101	101	99
Beaver County	67.9	73	76	74
Unemployed: no. of residents				
Pittsburgh[1]	81.4	135	137	161
Beaver County	10.5	158	152	144
Unemployment Rate: seas. adj.				
Pittsburgh[1]	8.9			
Beaver County	13.6			
Civilian labor force: no. of residents				
Pittsburgh[1]	969.3	103	104	103
Beaver County	77.7	79	81	79
Local industries *(in thousands)*				
All nonagricultural ind.: no. of wage and salary jobs				
Pittsburgh[1]	854.4	97	97	96
Beaver County	54.2	71	73	72
Nonmfg. only: no. of jobs				
Pittsburgh[1]	718.2	109	108	106
Beaver County	40.4	105	105	102
Mfg. only: no. of jobs				
Pittsburgh[1]	135.6	62	62	65
Beaver County	13.8	36	40	43
Hrs. worked by production workers in mfg. (ave. weekly)				
Pittsburgh[1]	41.4	n.a.	n.a.	n.a.
Beaver County	39.3	n.a.	n.a.	n.a.
Industrial electric power sales	***	65	66	70

Construction contracts awarded *(in millions of dollars)*	Total 4 Q '85	Percentage Change Quarter Ago	Year Ago
Residential contracts only			
Pittsburgh[1]	77.6	38	−11
Beaver County	3.6	22	+19
Nonresidential contracts only			
Pittsburgh[1]	109.8	45	14
Beaver County	2.7	+93	−43

[1] Allegheny, Fayette, Washington and Westmoreland Counties

[2] Beaver County

Both areas have had difficulties coping with the changing economic environment of the 1980's. The number of manufacturing jobs has declined 38.8 percent in the Pittsburgh area over the 1979-1985 period and by an even larger 60.7 percent in Beaver County. Also discouraging is the weak 2.2 percent increase in nonmanufacturing jobs in the Pittsburgh area during the period and the 4.6 percent decline in Beaver County. The number of unemployed rose 50.4 percent in the Pittsburgh region and 96.2 percent in Beaver County.

Northwestern Quarter

Erie

The Erie area economy was the only one in the Commonwealth to realize an increase in manufacturing jobs in 1985. There were 36,300 jobs in the sector for a slight gain of 0.3 percent compared to the State's 3.2 percent decline. The increase came about despite a stagnant fourth quarter. Increases in nondurable goods jobs made up for losses in durable goods industries. The overall gain in 1985 was less than 1984's 1,900 increase and left job levels in the sector 18.8 percent below pre-recession levels.

Jobs in nonmanufacturing rose for the third straight year in totalling a record 73,600 despite a slight seasonally adjusted fall in the fourth quarter. The 3.2 percent increase in jobs over the year betters 1984's 2.1 percent gain and equals the increase in the Commonwealth. However, the gain in nonmanufacturing jobs since 1979 is considerably less than the increase throughout the State.

The gains in both sectors resulted in an increase of 1,800 nonagricultural jobs to 109,900 following a 1984 gain of 3,900. There were 6.2 percent fewer establishment-related jobs in 1985 compared to 1979, an indication that the region is having trouble returning to pre-recession levels of economic activity.

Average weekly hours worked in the area's manufacturing establishments stood at 42 hours in 1985, the highest in the Commonwealth. The 0.1 hour fall from 1984 is the first since 1982 and is partially the result of a 0.4 hour seasonally adjusted decline in the fourth quarter. A strong 1.4 hour gain in nondurable goods industries was not enough to offset a decline in durable goods. Electricity sales to industrial customers, a good indicator of industrial production, rose 1.3 percent following 1984's 13.9 percent gain. A strong fourth quarter contributed to the increase.

The employment/unemployment situation also showed improvement in the region in 1985 but the improvements were less than in 1984. At 114,300, there were 3,100 more residents employed than a year ago following a 1984 increase of 4,200. Coupled with a 1,800 person increase in the labor force, this pushed the number of unemployed down 1,300. The unemployment rate dipped 1.2 percentage points to 8.7 percent after 1984's 4.7 point decline. Compared to 1979, employment in the region is down, while unemployment is up. The unemployment rate stood 1.5 percentage points higher than in 1979.

Erie Area[1]

	Ave. mo. value 4 Q '85	Average monthly index seas. adj. (1977 = 100) 4 Q '85	3 Q '85	4 Q '84
Employment *(in thousands)*				
Employed, no. of residents	115.5	104	105	102
Unemployed, no. of residents	9.9	114	116	121
Rate, seasonally adjusted	8.3			
Civilian labor force, no. of residents	125.4	104	105	104
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	111.0	100	100	99
Nonmfg. only, no. of jobs	75.0	110	110	107
Mfg. only, no. of jobs	35.9	84	84	86
Hrs. worked by production workers in mfg., ave. weekly	42.4	102	103	102
Industrial electric power sales	[illegible]	94	88	94

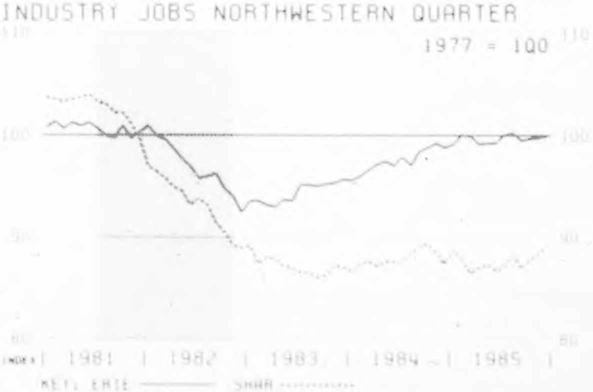
Construction contracts awarded *(in millions of dollars)*	Total 4 Q '85	Percentage Change *Quarter Ago*	Percentage Change *Year Ago*
Residential contracts only	8.7	-2	-33
Nonresidential contracts only	4.6	-65	-41

[1] Erie County

Sharon

Despite a 2.6 percentage point decline in the unemployment rate, the largest decline in the State, from 12.5 to 9.9 percent, the Sharon regional economy failed to pick up much ground in 1985. The decline, which follows a 5.5 point drop in 1984, still left the unemployment rate 3.3 points above the 1979 level. Pennsylvania's jobless rate was 1.1 percentage points higher in 1985 relative to 1979.

There was a slight increase of 400 or 0.9 percent in the number of residents counted as employed to 44,100. Total employment in the Commonwealth, on the other hand, rose 2.3 percent last year. Coupled with a decrease of 1,000 in the labor force, this resulted in a decline of 1,500 in the number of residents counted as



SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

unemployed to 4,800. Hence, it appears that some of the decline in unemployment was the result of individuals leaving the labor force rather than finding jobs.

The region was one of only two areas throughout the State to suffer a decline in nonagricultural jobs last year. Establishment-related jobs fell 0.5 percent to 39,700. This follows a 1 percent gain in 1984. Job levels in manufacturing were at an all-time low of 10,300 after a 3.7 percent fall. A 3.2 percent decline occurred in the Commonwealth. However, the 4 percent seasonally adjusted increase in the fourth quarter was the region's first since 1984 IIIQ.

Nonmanufacturing jobs rose for the second straight year in the region. The 1.4 percent gain left job levels in the sector at 29,500. Again, the increase was not as strong as the State's 3.2 percent advance.

Economic developments over the past several years have resulted in an increase in nonmanufacturing's relative importance in the region. However, the increase in the sector's importance was partially the result of disproportionate job losses in manufacturing, where a 39.1 percent decrease in jobs occurred over the 1979-1985 period. A 1.3 percent job loss occurred in nonmanufacturing.

On the construction front, residential contract values averaged $1.6 million per month last year, up 6.7 percent from 1984. A strong first half made the increase possible. Nonresidential contract values fell 6.3 percent to $1.5 million per month. All of the decline was attributable to a weak second quarter.

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q 85	4 Q 85	3 Q 85	4 Q 84
Employment *(in thousands)*				
Employed, no. of residents	44.7	92	92	92
Unemployed, no. of residents	4.3	116	111	140
Rate, seasonally adjusted	9.5			
Civilian labor force, no. of residents	49.0	93	94	96
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	40.3	88	88	88
Nonmfg. only, no. of jobs	29.9	102	102	101
Mfg. only, no. of jobs	10.4	64	62	66
Industrial electric power sales	· · ·	102	93	105

Construction contracts awarded *(in millions of dollars)*	Total 4 Q 85	Percentage Change Quarter Ago	Percentage Change Year Ago
Residential contracts only	3.0	−42	9
Nonresidential contracts only	2.8	−58	+40

[1] Mercer County

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

The Harrisburg-Lebanon-Carlisle area had the second lowest unemployment rate in the State in 1985, 5.3 percent, the lowest it has been since 1979. This represents an annual decline of 0.5 percentage point on the heels of a 1.7 point drop in 1984. The decline came about despite a slight fourth quarter increase after seasonal adjustment and is partially the result of the second straight annual decline in the number of unemployed residents, from 17,700 to 16,700.

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q '85	4 Q '85	3 Q '85	4 Q '84
Employment *(in thousands)*				
Employed, no. of residents	301.7	115	116	113
Unemployed, no. of residents	15.0	102	103	106
Rate, seasonally adjusted	5.1			
Civilian labor force, no. of residents	316.7	114	115	113
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	276.5	112	111	110
Nonmfg. only, no. of jobs	225.2	117	116	114
Mfg. only, no. of jobs	51.3	95	93	98
Hrs. worked by production workers in mfg., ave. weekly	40.0	n.a.	n.a.	n.a.
Industrial electric power sales	· · ·	70	78	78

Construction contracts awarded *(in millions of dollars)*	Total 4 Q 85	Percentage Change Quarter Ago	Percentage Change Year Ago
Residential contracts only	39.8	−30	+18
Nonresidential contracts only	40.5	+26	−16

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

As in the State, resident employment in the region rose to a record-high 298,100 despite a fourth quarter seasonally adjusted decline. The 3 percent gain in 1985 was less than 1984's 3.4 percent advance. Not surprisingly, the nonmanufacturing sector fueled the employment gain as job levels rose in each quarter. There were 221,800 jobs in the sector for a 3.4 percent gain, slightly higher than the Commonwealth's 3.2 percent increase but below 1984's 3.5 percent advance.

On the other hand, manufacturing job levels fell to 51,700, their lowest since data collection began in 1974. The decrease came about despite a seasonally adjusted fourth quarter gain, the first since 1984 IIIQ. The 1985 decline was 3.9 percent compared to a 3.3 percent gain a year earlier. Declines occurred in both durable and nondurable goods industries. Reflecting the decline in manufacturing, both the average factory workweek and electricity sales to industrial customers fell.

As in all other areas of the Commonwealth, the relative importance of the manufacturing sector in the region has declined since 1979 as job levels were off 12.4 percent compared to a 9.8 percent gain in nonmanufacturing establishments. Resident employment was up 8.6 percent compared to the Commonwealth's 2.3 percent gain. The unemployment rate was 0.4 percentage point higher than in 1979.

Lancaster

Lancaster's economy continued to outperform the Commonwealth's in 1985, especially in terms of nonagricultural activity. At 4.5 percent, the region's unemployment rate was the lowest in the State last year.

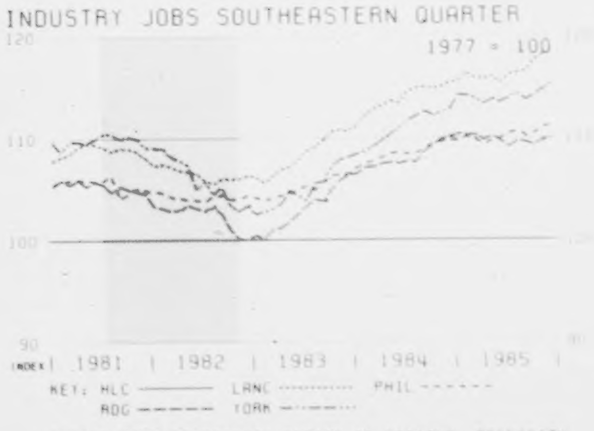
The decline in the unemployment rate was partially the result of an increase of 6,100 residents counted as employed. The 3.3 percent increase pushed employment to a record-high 189,100 despite a slight seasonally adjusted decline in the fourth quarter. Also contributing to the decline was the third straight decrease in the number of unemployed to 8,900.

Jobs in the area's nonagricultural establishments rose to a record-high 164,700 with a 2.3 percent increase, slightly higher than the Commonwealth's 1.6 percent advance. The increase was the result of a 4.8 percent rise in the number of jobs in nonmanufacturing establishments which left jobs levels in the sector at a record-high 107,700. Lancaster's gain was stronger than the Commonwealth's 3.2 percent increase in nonmanufacturing jobs.

These gains offset a 1.9 percent decline in the number of manufacturing jobs to 57,000 after a 5.3 percent increase in 1984. Still, the decline in manufacturing job levels was less than the Commonwealth's 3.2 percent fall. A slight seasonally adjusted increase in the fourth quarter was the first since 1984:IIIQ.

On the construction front, contracts awarded for residential buildings rose 11.7 percent to $14.3 million per month, slightly less than the State's 18.8 percent gain. However, the decline in nonresidential building awards, 3.8 percent, leaving them at $5 million per month, was not as strong as the decline in the Commonwealth.

The Lancaster area has adapted much more quickly to the changing economic environment of the 1980's than the State as a whole. The decline in the number of manufacturing jobs over the 1979-1985 period, 6.4 percent, is considerably less than the Commonwealth's 21.8 percent fall. Similarly, the area has added nonmanufacturing jobs at about twice the rate of the State. Resident employment was up 10.5 percent in the region compared to the Commonwealth's 2.3 percent gain.



Lancaster Area[1]

	Ave. mo. value 4 Q 85	Average monthly index seas. adj. (1977 = 100) 4 Q 85	3 Q 85	4 Q 84
Employment *(in thousands)*				
Employed, no. of residents	193.1	121	121	118
Unemployed, no. of residents	7.8	101	113	107
Rate, seasonally adjusted	4.2			
Civilian labor force, no. of residents	200.9	120	121	118
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	168.5	118	116	115
Nonmfg. only, no. of jobs	111.4	130	128	124
Mfg. only, no. of jobs	57.1	100	99	102
Hrs. worked by production workers in mfg., ave. weekly	40.7	102	101	100
Industrial electric power sales	***	126	123	121

Construction contracts awarded *(in millions of dollars)*	Total 4 Q 85	Percentage Change Quarter Ago	Percentage Change Year Ago
Residential contracts only	39.4	− 12	+ 8
Nonresidential contracts only	26.5	+145	−36

[1] Lancaster County

Philadelphia

Overall trends in the Philadelphia economy in 1985 were similar to those throughout the State. Resident employment in the region rose 2.2 percent to a record-high 2.14 million, nearly identical to the Commonwealth's increase, as seasonally adjusted increases occurred in the first three quarters before a fourth quarter decline. In 1984, the employment gain was 3.4 percent. The number of residents counted as unemployed fell for the third straight year to 136,300. Again, the 10.9 percent decline in the region differed only slightly from the State's 11 percent decrease.

All told, 46,400 residents found jobs last year and there was a net inflow of 29,700 into the labor force. This reduced the number of unemployed by 16,700, lowering the unemployment rate from 6.8 percent in 1984 to 6 percent in 1985, the second lowest in the State, despite a seasonally adjusted increase of 0.3 percentage point in the final quarter. The unemployment rate fell 1.7 points in 1984.

Nonagricultural job levels, at 2.02 million, also set a new record in rising 1.6 percent from a year ago. The gain occurred despite a 0.3 percent decline in manufacturing jobs to 395,000, the second lowest level on record. Manufacturing's decline follows a 1.9 percent increase in 1984. Meanwhile, nonmanufacturing job levels settled at 1.62 million, a new record. The 1985 increase of 2.1 percent follows a 3.6 percent advance in 1984.

Reflecting the slump in manufacturing, the average workweek in the area's manufacturing establishments fell 0.2 hour to 40.1 hours, similar to the State's 0.3 hour fall. There was a seasonally adjusted 0.3 hour gain in the fourth quarter. The workweek declined in both durable and nondurable goods industries. A slight increase of 0.8 percent occurred in electricity sales to industrial customers following a 2.8 percent gain in 1984.

The Philadelphia region's economy, for the most part, has been able to return to pre-recession levels of economic activity. Nonagricultural jobs were up 5 percent last year compared to 1979 as gains in nonmanufacturing offset losses in manufacturing. Resident employment was up relative to 1979, while unemployment was down. In fact, the area realized a 1 percentage point decline in its unemployment rate between 1979 and 1985, the only metropolitan area in which this occurred.

Reading

Although the Reading area economy outpaced the Commonwealth in employment growth during 1985, it failed to generate enough jobs to absorb an increase in the labor force, causing an increase in unemployment. The 155,400 residents employed represents a gain of 2.9 percent over 1984 compared to the State's 2.3 percent gain. This translates into 4,400 new employed residents and occurred despite a seasonally adjusted fourth quarter decline.

At the sametime, the region's labor force rose by 4,900, resulting in an increase of 500 or 4.3 percent in the number of residents counted as unemployed. This increase was reflected in a 0.1 percentage point rise in the area's unemployment rate, the only area in which an increase occurred. Pennsylvania's unemployment rate fell 1.1 percentage points last year and the number of unemployed fell 11 percent.

Nonmanufacturing job levels in the Reading area rose to a record-high 93,900 in 1985 for a 5.2 percent gain. This follows a 4.1 percent increase in 1984. The number of jobs in the region's nonmanufacturing establishments rose each quarter after seasonal adjustment. Reading's gains were higher than the 3.2 percent increase in the Commonwealth.

In the manufacturing sector, job levels fell 4.2 percent to 50,700. Seasonally adjusted declines occurred in each quarter. The region's decrease was higher than the State's 3.2 percent decline and follows a 6.4 percent gain in 1984. Overall, the gains in nonmanufacturing offset the losses in manufacturing, pushing the number of jobs in the region's nonagricultural establishments to a record-high 144,700.

Construction activity in the region followed trends throughout the Commonwealth: increases in residential construction and declines in the nonresidential sector. Residential contract awards averaged $7.8 million per month, up 18.2 percent from a year earlier. Contract values were higher than the same period in 1984 in each quarter but the fourth. Nonresidential contract values fell 54.5 percent to $2.5 million per month.

As is the case throughout the Commonwealth, the nonmanufacturing sector's relative importance has been on the increase in the Reading area. Job levels in the sector jumped 11.7 percent over the 1979-1983 period compared to the 7.5 percent decline in manufacturing.

Philadelphia Area[1]

	Ave. mo. value 4 Q '85	Average monthly index seas. adj. (1977 = 100) 4 Q '85	3 Q '85	4 Q '84
Employment *(in thousands)*				
Employed: no. of residents	2166.5	113	114	112
Unemployed: no. of residents	124.3	76	73	80
Rate, seasonally adjusted	6.0			
Civilian labor force: no. of residents	2290.8	110	111	109
Local industries *(in thousands)*				
All nonagricultural ind.: no. of wage and salary jobs	2048.6	111	110	110
Nonmfg. only: no. of jobs	1652.6	118	118	116
Mfg. only: no. of jobs	393.9	88	88	89
Hrs. worked by production workers in mfg.: ave. weekly	40.6	101	100	102
Industrial electric power sales	***	102	99	99

Construction contracts awarded *(in millions of dollars)*	Total 4 Q '85	Percentage Change Quarter Ago	Year Ago
Residential contracts only	345.8	−27	+25
Nonresidential contracts only	385.0	+13	+00

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

York

For the most part, the York area economy had a good year in 1985 compared to other areas around the State. The region's jobless rate, at 7.2 percent, was well below the Commonwealth's 8 percent unemployment rate.

Enough jobs were generated in the economy to absorb an increase in the labor force and reduce the number of unemployed. All told, resident employment rose 6,300 in 1985 to a record-high 175,300. The 3.7 percent gain was considerably higher than the State's 2.3 percent advance. Coupled with a net inflow of 5,400 into the labor force, this reduced the number of unemployed by 1,100 to 13,600, the lowest level since 1980.

The region's nonmanufacturing sector turned in a very strong performance in 1985. Job levels in the sector rose to a record-high 102,900. This represents a gain of 5.2

Reading Area[1]

	Ave. mo. value 4 Q '85	Average monthly index seas. adj. (1977 = 100) 4 Q '85	3 Q '85	4 Q '84
Employment *(in thousands)*				
Employed: no. of residents	157.7	114	116	114
Unemployed: no. of residents	11.0	134	144	125
Rate, seasonally adjusted	7.4			
Civilian labor force: no. of residents	168.6	116	117	115
Local industries *(in thousands)*				
All nonagricultural ind.: no. of wage and salary jobs	146.8	110	110	110
Nonmfg. only: no. of jobs	96.7	118	117	114
Mfg. only: no. of jobs	49.8	96	98	104
Hrs. worked by production workers in mfg.: ave. weekly	40.8	109	104	103
Industrial electric power sales	***	125	124	128

Construction contracts awarded *(in millions of dollars)*	Total 4 Q '85	Percentage Change Quarter Ago	Year Ago
Residential contracts only	19.9	−24	−12
Nonresidential contracts only	7.5	+ 6	−38

[1] Berks County

York Area[1]

	Ave. mo. value 4 Q 85	Average monthly index seas. adj. (1977 = 100) 4 Q 85	3 Q 85	4 Q 84
Employment *(in thousands)*				
Employed, no. of residents	178.1	118	120	117
Unemployed, no. of residents	11.6	132	141	131
Rate, seasonally adjusted	7.1			
Civilian labor force, no. of residents	189.7	119	121	117
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	164.4	115	114	112
Nonmfg. only, no. of jobs	105.2	126	126	122
Mfg. only, no. of jobs	59.3	99	98	100
Hrs. worked by production workers in mfg., ave. weekly	41.8	101	99	100
Industrial electric power sales	***	112	100	102

Construction contracts awarded *(in millions of dollars)*	Total 4 Q 85	Percentage Change Quarter Ago	Year Ago
Residential contracts only	25.9	−30	+16
Nonresidential contracts only	15.3	+43	+53

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[1] Adams and York Counties.

percent from 1984, the largest advance in the State. Seasonally adjusted job levels rose each quarter. However, manufacturing job levels fell 1 percent to 59,100 after increasing 5.7 percent in 1984. On the bright side, there was a slight seasonally adjusted gain in the fourth quarter.

Residential construction activity was apparently up last year in the region as the value of contract awards rose 20.5 percent to $10 million per month. The value of awards was higher in each quarter of 1985 relative to 1984. Nonresidential contract awards fell 5.3 percent to a monthly average of $3.6 million.

Similar to trends throughout the State, the nonmanufacturing sector's relative importance has been on the increase in the region as of late due to a 12.8 percent increase in job levels in the sector over the 1979-1985 period coupled with a 10.6 percent decline in manufacturing.

William D. Anderson

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PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **March 1986**

NONMANUFACTURING CONTINUES TO PUSH ECONOMY

Backed by continued gains in the nonmanufacturing sector, **the Commonwealth economy turned in another month of moderate, but far from spectacular, growth in January.** If manufacturing holds its own, as it did during the year's first month, more of the same should occur in the near-term. It should be pointed out that **in many cases the improvements were the result of less than normal seasonal declines in the unadjusted series.**

Resident employment in Pennsylvania rose to a record-high 5.15 million after seasonal adjustment, surpassing the previous mark of 5.14 million set in March 1981. The 0.6 percent increase for the month is nearly identical to the nation's advance. Partly because of the employment gain in the Commonwealth, **the unemployment rate fell 0.3 percentage point to a seasonally adjusted 7.5 percent, the lowest it has been since April 1981.** Although the fall in the State's unemployment rate was slightly higher than the nation's 0.2 percentage point decline, it still left the jobless rate in the Commonwealth well above the nation's 6.7 percent.

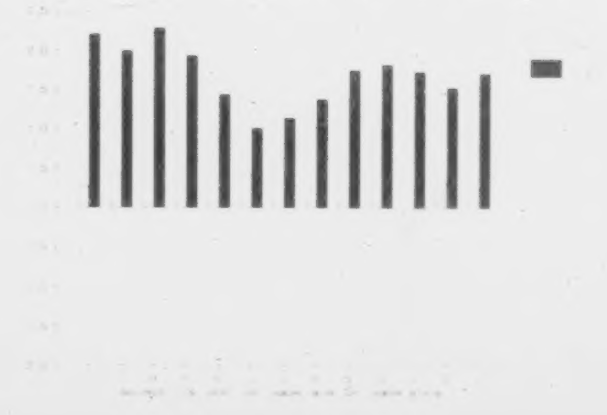
Although it appears that the employment/unemployment situation in Pennsylvania is fairly healthy, **a problem emerges when trends in overall labor force growth are examined, an issue that is often ignored by many analysts.** As shown in the accompanying chart, labor force growth from year-ago levels in the Commonwealth has trailed national growth in 12 of the past 13 months. This pattern is the result of slower population growth relative to the nation and/or lower labor force participation rates. Should this trend continue, it is logical to expect that the State's share of economic activity to fall further.

(Our readers may have noticed that our seasonally adjusted figures for resident employment, number unemployed, and labor force differ very slightly from those released by the U.S. Bureau of Labor Statistics. The differences are attributable to our use of rounded data in applying seasonal adjustment techniques and to minor differences in computer systems. In that our figures always fall within the error ranges associated with the BLS data, we feel that they act as a good check against that data.)

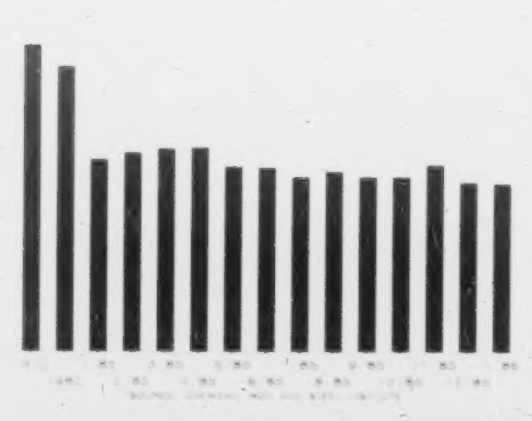
A seasonally adjusted increase of 9,500 nonagricultural jobs took place in Pennsylvania establishments during January, leaving job levels at 4.8 million, the highest since March 1980. **The nonmanufacturing sector accounted for 7,900 additional positions, a 0.2 percent gain compared to the nation's 0.4 percent rise, as job levels settled at a record-high 3.72 million after seasonal adjustment,** the twelfth consecutive monthly gain in the sector. Advances were realized in construction (900 new jobs); wholesale trade (1,200); retail trade (4,400); finance, insurance, and real estate (2,400); services (2,200); federal government (400); and state and local government (1,000). Losses occurred in mining and transportation and public utilities.

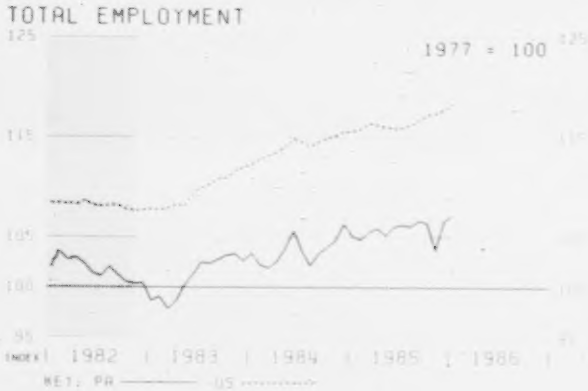
Manufacturing turned in its second straight monthly increase in job levels. The slight seasonally adjusted gain of 1,600 or 0.1 percent left the number of positions in the sector at 1.08 million, well below January 1985's 1.11 million. A similar increase occurred in the U.S. Increases occurred in both durable and nondurable goods industries. Other indicators of manufacturing's health, such as the average workweek, total hours worked, weekly payrolls, and

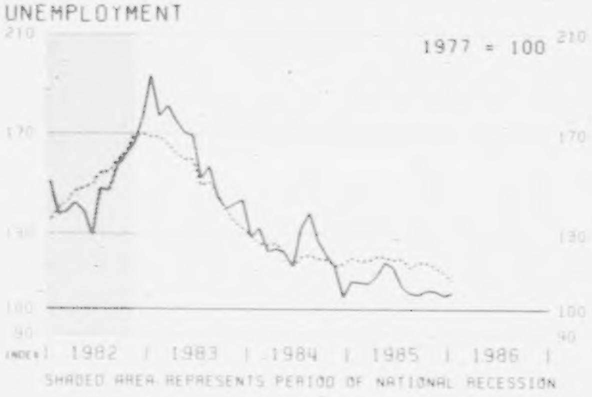
U.S. AND PA LABOR FORCE GROWTH, JAN '85–JAN '86



PENNSYLVANIA'S SHARE OF U.S. STEEL OUTPUT







SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

industrial electric power sales took a turn for the worse in January.

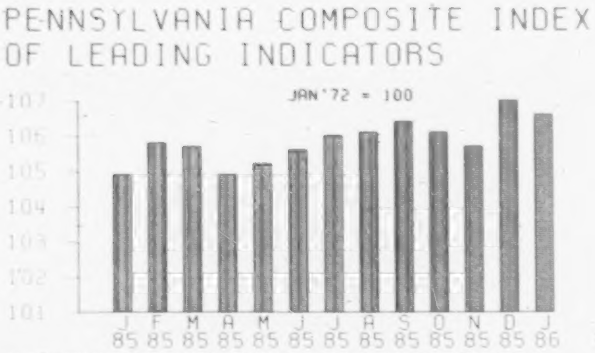
The steel industry remained in a slump as output fell a seasonally adjusted 7.8 percent on an average daily basis during January with no prolonged improvement in sight. Nationally, the decline was only 0.2 percent. The accompanying chart shows that **the Commonwealth has lost a considerable share of the steel market to other domestic producers in addition to the problems caused by imports.** Pennsylvania's share of domestic output stood in the 20-25 percent range in 1970 and 1980. During the past 13 months, the Commonwealth's share has been in the 12.5-15 percent range.

Construction contract awards, a good proxy for activity

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1985-86		1985	1985-86		1985	1985-86		1985
	Dec	*Jan*	*Jan*	*Dec*	*Jan*	*Jan*	*Dec*	*Jan*	*Jan*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salaried jobs (thous.)	4,927	4,713	4,605	4,788	4,798	4,690	104.9	105.1	102.7
Nonmanufacturing									
No. of wage and salaried jobs (thous.)	3,753	3,647	3,504	3,714	3,722	3,575	115.2	115.5	110.9
Manufacturing									
No. of wage and salaried jobs (thous.)	1,072	1,064	1,102	1,074	1,076	1,115	80.1	80.2	83.1
Ave. wkly. hrs. worked by prod. workers	41.0	40.0	n.a.	40.7	40.3	n.a.	103.0	102.0	n.a.
Total wkly. person-hours worked (mils.)	29.8	28.7	n.a.	29.6	29.3	n.a.	72.1	76.3	n.a.
Total wkly. payroll (mil. dols.)	290.7	278.6	n.a.	286.7	283.7	n.a.	127.6	126.2	n.a.
Steel production (thous. tons)	845	859	999	n.a.	n.a.	n.a.	49.0	45.1	47.0
Industrial electric power sales (mil. kwh)	3,416	3,465	3,468	3,537	3,525	3,495	95.7	95.4	94.6
Mining									
Anthracite coal (thous. net tons)	328	306	282	299	360	330	61.3	73.7	67.5
Bituminous coal (thous. net tons)	5,590	n.a.	4,278†	5,895	n.a.	4,049†	83.6	n.a.	65.9†
Construction contracts awarded (mil. dols.)									
Total	506.1	361.5	363.2*	570.8	576.9	570.3*	177.4	179.3	177.3*
Residential building	183.1	139.0	128.1*	243.4	289.9	273.0*	172.9	206.0	194.0*
Nonresidential building	173.2	89.7	162.3*	180.5	102.2	187.2*	166.4	94.2	172.5*
Nonbuilding (utilities and public works)	149.8	132.8	72.8*	146.9	184.8	110.1*	202.7	255.0	152.0*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,139	5,033	4,927	5,122	5,150	5,051	106.8	107.2	105.1
Unemployed									
No. of persons (thous.)	405	444	466	423	427	446	105.5	106.5	111.3
Rate (percentage of labor force)	7.8	8.1	8.0						
Rate, seasonally adjusted				7.8	7.5	8.0			
Civilian labor force, no. of persons (thous.)	5,544	5,477	5,393	5,545	5,577	5,497	106.5	107.1	105.6
Initial claims for unemployment benefits	175,766	189,342	212,971	120,953	129,098	143,129	84.5	90.2	100.0

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1985-86		1985	Month	Year
	Dec	*Jan*	*Jan*	Ago	Ago
U.S. city average	327.4	328.4	316.1	+0.3	+3.9
Philadelphia	319.7	320.3	306.3	+0.2	+4.6
Pittsburgh	331.5	n.a.	321.1†	n.a.	+2.9
Northeast PA	n.a.	311.6	301.5	n.a.	+3.3

NOTES: Data on employment, payrolls and hours have been revised to first quarter 1985 benchmarks.
Total includes workers on strike. * = figure revised. † = figure for December 1984. n.a. = data not available.
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY COLLEGE OF BUSINESS ADMINISTRATION

in the sector, rose modestly after seasonal adjustment. Total awards were valued at a seasonally adjusted $576.9 million for the month, up 1.1 percent from December. This represents the second consecutive monthly gain. Improvements in the residential building and nonbuilding categories offset a poor month in nonresidential building.

January's moderate pace of economic growth is reflected in a slight rise of 0.3 percent in the index of coincident indicators which tracks current developments in the Commonwealth economy. This represents the second straight increase in the economic barometer. The leading index, on the other hand, which is a good indicator of future economic trends, fell 0.4 percent after a healthy December increase. Because much of the data used in tabulating both indices is currently under revision, interpretations of these movements should be made with caution.

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
June	105.6	87.7	0.4	0.6
July	106.0	87.3	0.4	−0.5
August	106.1	87.3	0.1	0.0
September	106.4	87.0	0.3	−0.3
October	106.1	86.5	−0.3	−0.6
November	105.7	85.2	−0.4	−1.5
December	107.0	86.5	1.2	1.5
January	106.6	86.8	−0.4	0.3

— *William D. Anderson*

Personal Income Report

Personal income in the Commonwealth totalled a seasonally adjusted $154.7 billion on an annual basis in the third quarter of 1985. This represents a 0.8 percent gain from the previous quarter and a 4.3 percent advance from 1984:IIIQ. Nationally, personal income stood at a seasonally adjusted $3.2 trillion on an annual basis in last year's third quarter, which translates into quarterly and annual gains of 0.7 and 5 percent respectively.

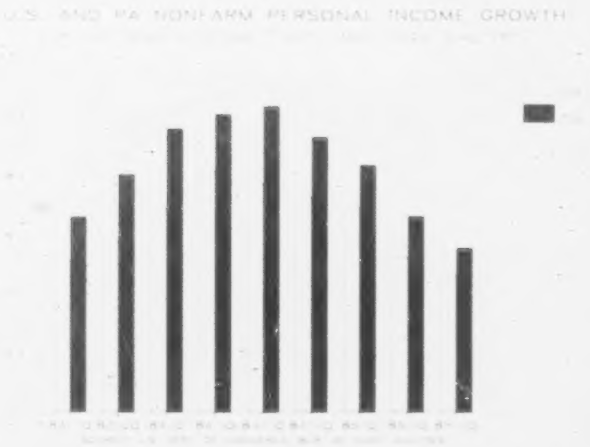
Earnings in Pennsylvania's manufacturing establishments fell a seasonally adjusted 0.6 percent from 1985:IIQ to $29.9 billion, a reflection of the sector's recent difficulties. This translates into a gain of 1.6 percent from a year ago. The nonmanufacturing sector, which has been the sole driving force behind the economy recently, realized a seasonally adjusted 1.9 percent quarterly gain in earnings to $77.2 billion. Compared to 1984:IIIQ, nonmanufacturing earnings were up 7.3 percent.

Nonfarm personal income, which may be a better indicator of overall economic trends than total personal income since it discounts the volatile farm sector, totalled $154.1 billion in the Commonwealth in last year's third quarter. As the accompanying chart shows, Pennsylvania nonfarm personal income growth from the year-ago quarter has been less than the nation's growth in each of the last nine quarters for which data are available. Clearly, Pennsylvania has had recent difficulties keeping pace with the nation's economy.

Pennsylvania personal income
(seas. adj. ann. rates; millions of dollars)

	Personal income	Pct. change Qt. ago	Pct. change Yr. ago
1985 IIIQ	154,736	0.8	4.3
1985 IIQ	153,538	1.0	5.3
1984 IIIQ	148,291	1.7	8.1

Source: U.S. Dept. of Commerce
Bur. of Econ. Analysis



Retail Sales Report

Pennsylvania retail sales totalled $17.8 billion during last year's fourth quarter, a 6.5 percent gain from a year ago. This follows a 12 percent annual gain in the third quarter of 1985. For the year as a whole, retail sales in the Commonwealth rose 7 percent to $64.1 billion after a 10.6 percent 1984 gain.

Compared to the nation, where increases of 5.3 percent over the 1984:IVQ-1985:IVQ period and 6.2 percent for all of 1985 occurred, retail sales growth has been quite strong in Pennsylvania. As in the Commonwealth, there was a considerable reduction in retail sales growth at the national level between the final two quarters of last year as consumers apparently backed off when faced with heavy debt loads.

Pennsylvania retail sales (millions of dollars)

	Retail sales	Pct. change from yr. ago
1985: IVQ	17,786	6.5
1985: IIIQ	16,288	12.0
1985 YTD	64,091	7.0

December 1985 data is preliminary
Source: U.S. Dept. of Commerce
Bureau of the Census

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PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University April 1986

ECONOMY SPINS ITS WHEELS IN FEBRUARY
Manufacturing Still a Problem

Despite the fact that resident employment rose to a new record for the second consecutive month in Pennsylvania and the unemployment rate dipped below the nation's for the first time since June 1982 (see chart), **the overall performance of the Commonwealth economy was sluggish in February.** All of the weakness can again be traced to the goods-producing sectors of the economy.

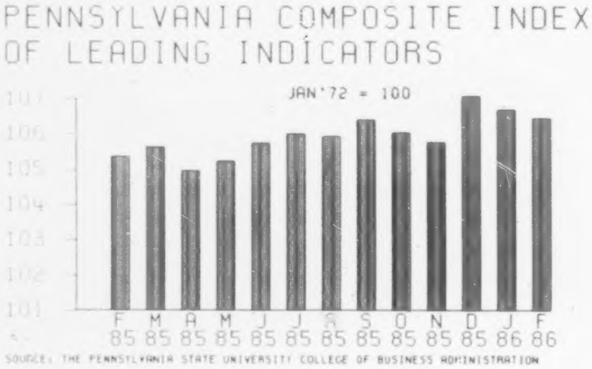
Evidence of this is found in the 0.3 percent decline in the index of coincident indicators, which is positively correlated with current economic trends. While one component of the index, resident employment, rose to 5.22 million after seasonal adjustment, the other two, factory job levels and real earnings in the manufacturing sector, declined. **The decline in factory job levels to a record-low 1.07 million after seasonal adjustment is especially disappointing coming on the heels of two consecutive monthly gains, dashing, at least for now, hopes for a prolonged moderation of job losses in the manufacturing sector.**

A decline in another indicator of manufacturing's health, the average factory workweek, from a seasonally adjusted 40.4 to 39.6 hours, led to the second straight monthly decline in the index of leading indicators. The other two components of the index, which are not measures of manufacturing activity, moved positively in February. Residential construction contract awards rose in value a seasonally adjusted 25.3 percent to $363.1 million. Surely, much of the increase was due to declines in mortgage rates. (Increases in nonresidential building and in nonbuilding contract values, which are not components of the index, also rose, resulting in a seasonally adjusted 49.7 percent increase in total awards to $863.5 million.) Initial claims for unemployment benefits, an indicator of future trends in the number of unemployed, fell during the month after two straight gains.

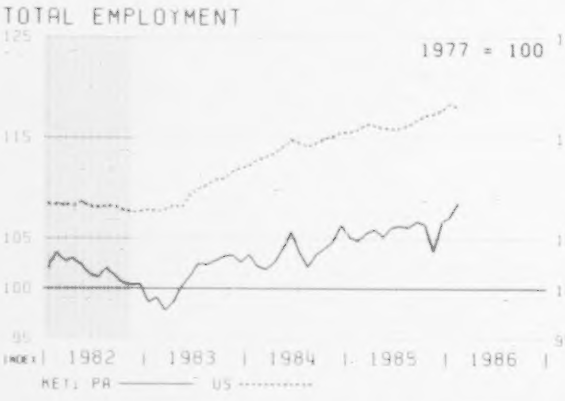
The behavior of the leading and coincident indexes over the past several months suggests that **the economy is moving ahead at a fairly slow pace, with more of the same expected for the near future.**

Other measures of manufacturing's strength also contributed to the overall sluggish growth in the sector. Total hours worked and weekly payrolls took a tumble in February. Electricity sales to industry also fell slightly during the month. The minimal increase in steel output in Pennsylvania mills, a seasonally adjusted 0.9 percent on an average daily basis, is not anything to get excited about. **It appears that the most we can expect from steel this year, and from manufacturing in general, is a cessation of job losses as opposed to any rebound.**

Economic theory tells us that durable goods industries are usually hit harder than nondurable goods industries during times of economic slack. Durable goods are more responsive to changes in the economy since they constitute major investment items which can be done without. Nondurable goods are less sensitive to economic changes since they tend to be items which cannot be readily done without. The accompanying chart shows that during the past four months, job losses from year-ago levels in durable goods industries have been considerably larger than in nondurable goods. However, the percentage decline in all of 1985 was slightly

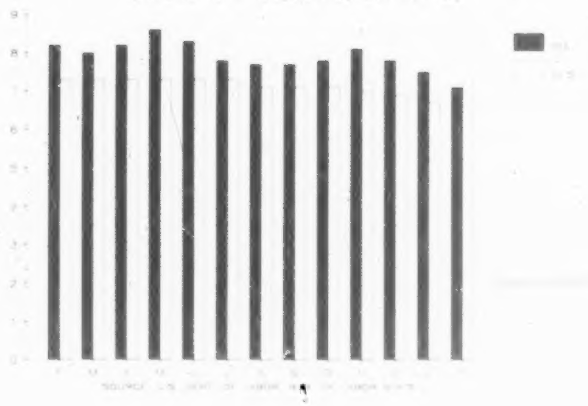


SOURCE: THE PENNSYLVANIA STATE UNIVERSITY COLLEGE OF BUSINESS ADMINISTRATION

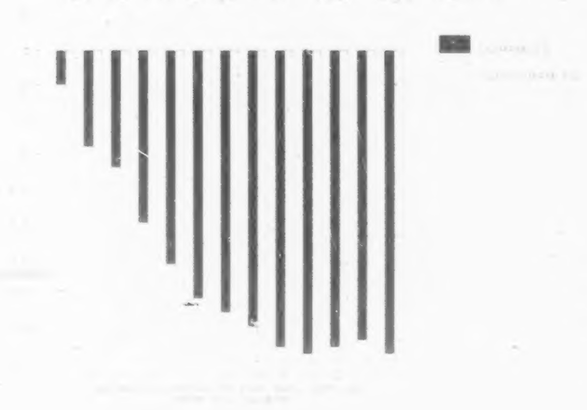


SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

PA AND U.S. UNEMPLOYMENT RATES, FEB '85–FEB '86
(seasonally adjusted; percent)



PA MANUFACTURING JOB GROWTH, FEB '85–FEB '86
(percent change from year-ago month)



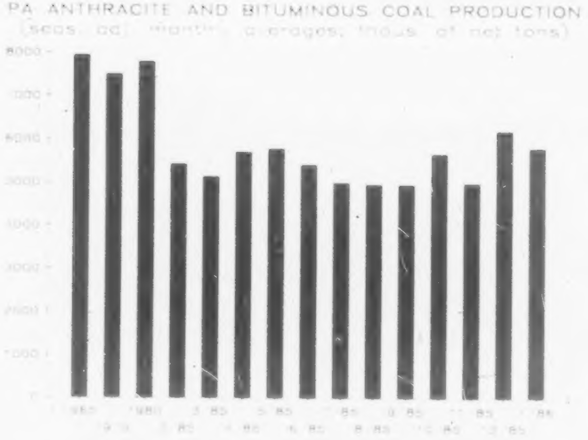
higher in nondurable goods industries. Still, when looked at over the course of the business cycle, say, from 1979, the decline in durable goods has indeed been significantly larger than in nondurable goods.

The mining industry continues to have its share of problems. As shown in the accompanying chart, output from Pennsylvania coal mines has dropped considerably over the past several years. Along with declining production,[1] job

Economic Activity in Pennsylvania	UNADJUSTED DATA 1986 Jan	1986 Feb	1985 Feb	SEASONALLY ADJUSTED DATA 1986 Jan	1986 Feb	1985 Feb	SEASONALLY ADJUSTED INDEXES (1977 = 100) 1986 Jan	1986 Feb	1985 Feb
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,711*	4,712	4,612	4,797	4,801	4,700	105.4	105.2	102.9
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,646*	3,653	3,512	3,722*	3,732	3,591	115.5	115.8	111.4
Manufacturing									
No. of wage and salary jobs (thous.)	1,063*	1,058	1,098	1,075	1,069	1,109	80.1*	79.6	82.6
Ave. wkly. hrs. worked by prod. workers	40.0	39.6	39.7	40.4	39.6	39.9	102.2	100.6	100.9
Total wkly. person-hours worked (mils.)	28.8*	28.4	29.6	29.4*	28.8	30.1	76.5*	75.1	78.4
Total wkly. payroll (mil. dols.)	278.6	276.0	282.5	285.1	279.3	285.9	126.9	124.3	127.2
Steel production (thous. tons)	955*	994	1,007	n.a.	n.a.	n.a.	45.0*	45.3	46.1
Industrial electric power sales (mil. kwh)	3,465	3,515	3,653	3,525	3,464	3,599	95.4	93.8	97.4
Mining									
Anthracite coal[1] (thous. net tons)	306	284	279	360	351	343	73.7	71.8	70.1
Bituminous coal (thous. net tons)	5,014	n.a.	4,558†	5,438	n.a.	4,920†	77.1	n.a.	69.8†
Construction contracts awarded (mil. dols.)									
Total	361.5	484.6	300.7*	576.9	863.5	556.7*	179.3	268.4	176.1*
Residential building	139.0	166.6	132.6*	289.9	363.1	290.2*	206.0	258.0	206.2*
Nonresidential building	89.7	135.4	118.3*	102.2	226.6	201.3*	94.2	208.9	185.6*
Nonbuilding (utilities and public works)	132.8	182.6	49.9*	184.8	273.8	75.2*	255.0	377.7	103.7*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,033	5,040	4,863	5,150	5,215	5,031	107.2	108.5	104.7
Unemployed									
No. of persons (thous.)	444	451	499	427	395	444	106.5	98.5	110.7
Rate (percentage of labor force)	8.1	8.2	9.3						
Rate, seasonally adjusted				7.5	7.1	8.2			
Civilian labor force, no. of persons (thous.)	5,477	5,491	5,362	5,577	5,610	5,475	107.1	107.8	105.2
Initial claims for unemployment benefits	189,342	105,731	113,932	129,099	121,240	130,694	90.2	84.7	91.3

Consumer Prices, all items	Urban Indexes (1967 = 100) 1986 Jan	1986 Feb	1985 Feb	Percentage Change Month Ago	Year Ago
U.S. city average	328.4	327.5	317.4	-0.3	+3.2
Philadelphia	320.3	320.1	309.2	-0.1	+3.5
Pittsburgh	n.a.	330.1	323.8	n.a.	+1.9
Northeast PA	311.6	n.a.	301.5†	n.a.	+3.3

NOTES: Data on employment, payrolls and hours have been revised to first quarter 1985 benchmarks.
[1] Total includes workers on strike. * = figure revised. † = figure for January 1984. n.a. = data not available.
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.



levels have been hovering at or near all-time lows in the industry as of late. In that Pennsylvania coal is a major input in the production of steel, the slump in the primary metals industry has contributed greatly to the coal industry's weakness.

Despite the weakness in mining, **nonmanufacturing activity continued on an upward trend.** Job levels rose to a record-high 3.73 million after seasonal adjustment, the *13th* consecutive monthly gain. As has been the case of late, increases in the services-producing industries contributed greatly to the job gain.

The decline in the Commonwealth's unemployment rate from a seasonally adjusted 7.5 percent in January to 7.1 percent in February comes as a surprise to many, especially in light of the 0.6 percentage point rise at the national level to 7.3 percent. However, a change in important questions in the *Current Population Survey*, from which the numbers are derived, and abnormal conditions in certain regions of the nation surely played a large role in February's volatile employment/unemployment statistics. Data released over the next few months will probably correct for February's surprising trends.

February was far from rosey at the national level. Employment, capacity utilization, and housing starts all fell. (However, housing starts still stood at a healthy 1.99 million on an annual basis.) Consumer spending was sluggish. Hopefully, the decline in consumer prices suggests that falling oil prices are working their way through the economy. If so, the Federal Reserve will have a bit more room to ease credit conditions without risking a surge in inflation.

William D. Anderson

Job Growth in Pennsylvania by Establishment Size

The Pennsylvania economy is currently going through a period of major structural change. Increases in the contributions of nonmanufacturing establishments such as services, trade, and finance to total economic growth and deteriorations in the role of most manufacturing industries are well-documented. Another related area in which change is occurring in the Commonwealth's economy is in the relative importance of small versus large establishments as engines of job growth.

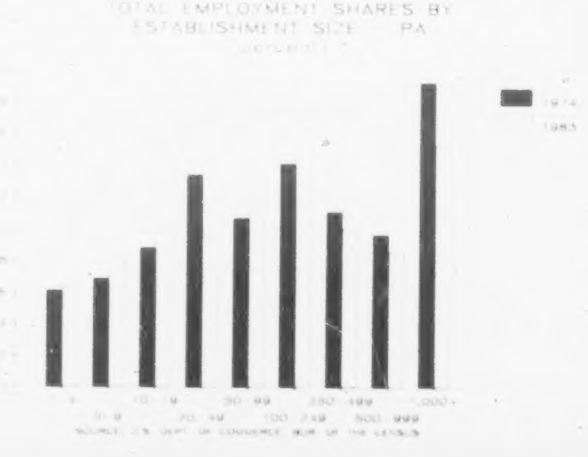
Data taken from *County Business Patterns* show an increase in the relative importance of small establishments between 1974 and 1983 (the last year for which data is available) in Pennsylvania. As shown in the accompanying table, close to 25,000 jobs were lost in Commonwealth establishments over the period for a 0.6 percent decline. However, all of the decline occurred in establishments with at least 250 workers where 239,000 jobs were lost. By far, the largest loss came in establishments employing 1,000 or more.

Establishments with less than 250 workers gained 215,000 jobs between 1974 and 1983. Each of the six categories within this group realized a job increase over the period, with the largest absolute gain coming in establishments with 50-99 employees.

Pennsylvania Employment Growth by Establishment Size

Establishment Size (number of employees)	Employment		1974-1983 Change	
	1974	1983	no.	pct.
TOTAL	3802316	3777813	-24503	-0.6
1-4	232726	239174	6448	2.8
5-9	262164	310307	48143	18.4
10-19	335698	376917	41219	12.3
20-49	510184	532276	22092	4.3
50-99	406712	457738	51026	12.5
100-249	537058	582723	45665	8.5
250-499	420743	379036	-41707	-9.9
500-999	366543	324131	-42412	-11.6
1,000 +	730488	575511	-154977	-21.2

Source: U.S. Dept. of Commerce, Bur. of the Census



The job gains in the smaller establishments in Pennsylvania over the 1974-1983 period resulted in an increase in their share of total employment (see chart). Collectively, establishments with fewer than 250 employees saw their share increase from 60.1 to 66.2 percent. Each of the six categories within this group realized a gain in employment share. The largest advance, 1.4 percentage points, occurred in those establishments with 50-99 workers.

The three largest categories saw their collective share fall from 39.9 to 33.8 percent. Nearly two-thirds of that decline occurred in establishments with at least 1,000 workers.

William D. Anderson

(This is a brief summary of an analysis of job growth according to establishment size at the industry level in Pennsylvania over the 1974-1983 period. The availability of the paper will be announced in an upcoming issue of the Survey.*)*

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PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University May 1986

EMPLOYMENT AT ALL-TIME HIGH FOR THIRD STRAIGHT MONTH

Employment of Pennsylvania residents stood at a seasonally adjusted 5.3 million in March. This is an all-time high and is the third consecutive month in which a record has been set. **Normally, there is an employment increase of about 39,000 in March as economic activity picks up as spring and summer approach. This year, however, employment jumped 126,000 in the Commonwealth, resulting in a seasonally adjusted gain of 87,000.** (In other words, the gain was 87,000 more than expected.)

Despite this impressive performance, the jobless rate rose 0.5 percentage point after adjustment for normal seasonal variations to 7.6 percent. How can this be, given the healthy employment gain? The answer lies in the behavior of the labor force, where there was a net inflow of 126,000 individuals willing to work. In that "only" 87,000 residents found work, the number of unemployed jumped 39,000 after seasonal adjustment. **The increase in the unemployment rate put it above the nation's 7.2 percent rate. This comes on the heels of a situation in February when the Commonwealth's jobless rate fell below the nation's for the first time since mid-1982.** March's figures provide a better indication of Pennsylvania's standing relative to the nation.

In the March *Survey*, the Commonwealth's weak labor force growth relative to the nation was examined. However, in February and March, labor force growth from year-ago levels has been stronger in Pennsylvania compared to the U.S. **Despite the fact that the recent surge in the workforce puts upward pressure on unemployment, it is a positive development in that it may represent an improving outlook on the part of Pennsylvanians as they see employment expanding, luring them back into the job market.**

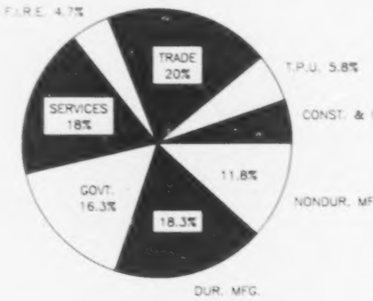
Surely, the unemployment situation would be brighter if the Commonwealth's manufacturing sector would contribute to economic growth. In March, job levels at Pennsylvania manufacturing establishments declined for the second straight month, settling at an all-time low of 1.06 million after seasonal adjustment, a fall of 6,000 from February. Except for a few brief interruptions, manufacturing jobs have been on the decline for about the past two years. **Hopefully, the combination of falling oil prices, lower interest rates, and the declining dollar will act as a catalyst in spurring increased manufacturing activity around mid-year.**

At the same time, **nonmanufacturing has been on a tear as of late in Pennsylvania.** Annual average job levels in the sector have risen in each of the last three calendar years. March's gain of 4,000 jobs represents the 14*th* consecutive monthly advance, pushing job levels to a record-high 3.73 million after seasonal adjustment.

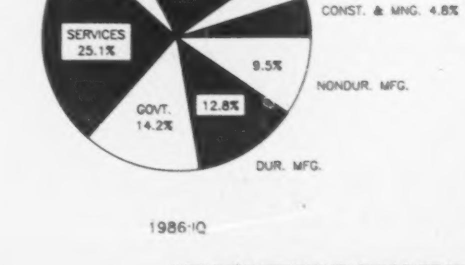
As the accompanying chart illustrates, **for the most part, job growth in Pennsylvania during the past year has trailed the nation's advance.** Growth in nonagricultural jobs between the first quarter of 1985 and of 1986 was 2.1 percent in Pennsylvania and 3.1 percent in the U.S. On the goods-producing side, the Commonwealth trailed the nation considerably in manufacturing. However, the State did turn in a better performance in the construction industry (an 8.5 percent job gain compared to 7.6 percent nationally). In the services-producing industries, Pennsylvania managed to surpass national growth rates in trade and, surprisingly, services. Hence, it does appear that economic activity in Pennsylvania can perform up to national standards. Whether or not this turns out to indeed be the case remains to be seen.

Sectoral trends during the past several years have drastically changed the structure of the Pennsylvania economy (see chart). Specifically, **divergent growth patterns in manufac-**

PENNSYLVANIA NONAGRICULTURAL JOB DISTRIBUTIONS, 1975 AND 1986:IQ



1975



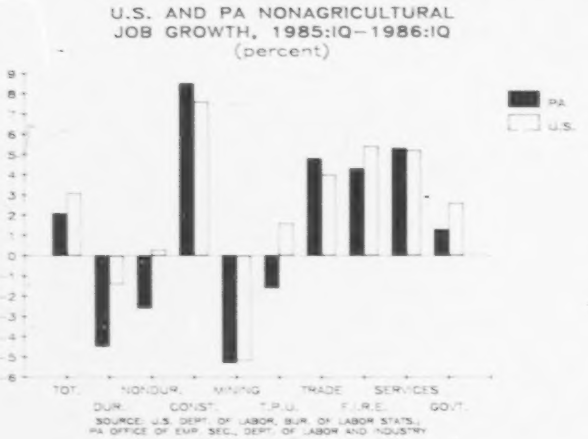
1986:IQ

SOURCE: (1975) PA OFFICE OF EMP. SEC.; (1986:IQ) PA STATE UNIV.

turing and nonmanufacturing have resulted in a significant shift in the relative importance of the two sectors. In 1975, the manufacturing sector accounted for slightly more than 30 percent of all nonagricultural jobs in Pennsylvania. By 1986:IQ, this share had fallen to nearly 22 percent. Service-producing industries saw their share rise from 64.7 to 72.9 percent during the same period.

Declines in steel production and sales of electricity to industry reflect the slump in manufacturing activity. A recent survey by the U.S. Department of Commerce shows that U.S. businesses plan to boost capital spending by a slight inflation-adjusted 0.9 percent this year. Combined with expected cuts in automobile production, this certainly will not help Pennsylvania's steel and other durable goods producers. The slight increases in average and total weekly hours worked and total weekly payrolls are really nothing to get excited about. A string of such increases is needed before anything can be read into the gains.

Further indications of manufacturing's slump at the national level can be found in declines in industrial production and capacity utilization. In light of these and other developments, many analysts were surprised with the 3.2 percent growth rate in real GNP during this year's first quarter. Many expect this figure to be revised downward. Remember, first indications of fourth quarter growth in 1985 suggested a 3.2 percent increase in real GNP. This has since been revised


U.S. AND PA NONAGRICULTURAL JOB GROWTH, 1985:IQ–1986:IQ
(percent)

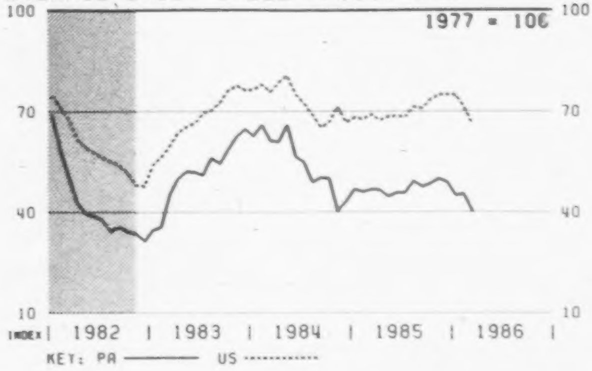
SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.; PA OFFICE OF EMP. SEC., DEPT. OF LABOR AND INDUSTRY

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1986		1985	1986		1985	1986		1985
	Feb	*Mar*	*Mar*	*Feb*	*Mar*	*Mar*	*Feb*	*Mar*	*Mar*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,709*	4,740	4,654	4,797*	4,794	4,708	105.1*	105.0	103.1
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,650*	3,682	3,554	3,729*	3,733	3,604	115.7*	115.8	111.8
Manufacturing									
No. of wage and salary jobs (thous.)	1,057*	1,056	1,097	1,068*	1,062	1,104	79.6	79.1	82.3
Ave. wkly. hrs. worked by prod. workers	39.6	40.2	39.9	39.6	40.2	39.8	100.6	101.6	100.7
Total wkly. person-hours worked (mils.)	28.4	28.7	29.7	28.8	28.9	29.9	75.1	75.3	77.9
Total wkly. payroll (mil. dols.)	276.0	279.0	282.5	279.3	281.0	284.5	124.3	125.0	126.6
Steel production (thous. tons)	994	1,074	1,252	n.a.	n.a.	n.a.	45.3	40.1	47.0
Industrial electric power sales (mil. kwh)	3,515	3,475	3,580	3,464	3,363	3,510	93.8	91.1	95.0
Mining									
Anthracite coal (thous. net tons)	284	305	329	351	310	327	71.8	63.4	66.9
Bituminous coal (thous. net tons)	4,762	n.a.	4,662†	5,189	n.a.	5,079†	73.6	n.a.	72.0†
Construction contracts awarded (mil. dols.)									
Total	484.6	742.2	573.5*	863.5	768.4	569.5*	268.4	238.8	177.0*
Residential building	166.6	292.9	260.4*	363.1	319.5	284.1*	258.0	227.0	201.8*
Nonresidential building	135.4	219.8	140.0*	226.6	256.6	151.4*	208.9	236.5	139.6*
Nonbuilding (utilities and public works)	182.6	229.6	173.1*	273.8	192.3	134.0*	377.7	265.3	184.9*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,040	5,166	4,936	5,215	5,302	5,070	108.5	110.3	105.5
Unemployed									
No. of persons (thous.)	451	445	454	395	434	443	98.5	108.2	110.5
Rate (percentage of labor force)	8.2	7.9	8.4						
Rate, seasonally adjusted				7.1	7.6	8.0			
Civilian labor force, no. of persons (thous.)	5,491	5,611	5,390	5,610	5,736	5,513	107.8	110.2	105.9
Initial claims for unemployment benefits	105,731	98,020	102,748	121,240	118,189	126,508	84.7	82.5	88.4

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1986		1985		
	Feb	*Mar*	*Mar*	*Month Ago*	*Year Ago*
U.S. city average	327.5	326.0	318.8	−0.5	+2.3
Philadelphia	320.1	319.1	310.4	−0.3	+2.8
Pittsburgh	330.1	n.a.	323.8†	n.a.	+1.9
Northeast PA	n.a.	309.3	304.9	n.a.	+1.4

NOTES: Data on employment, payrolls and hours have been revised to first quarter 1985 benchmarks.
[1] Total includes workers on strike. * = figure revised † = figure for February 1984 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

AVERAGE DAILY STEEL PRODUCTION



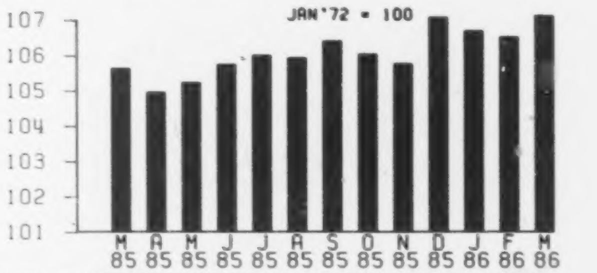
SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

downward in three stages to 0.7 percent.

The State's construction industry had a sluggish month as total contract award values fell 11 percent to a seasonally adjusted $768.4 million. Contract values for residential and nonbuilding projects fell. Nonresidential contract values rose. Despite the overall decline, construction activity is still moving along at a fairly high level. The lowest mortgage rates in years can do nothing but help the residential sector.

In conclusion, given the big gain in employment, March has to be labeled a moderate success in economic terms. Again, manufacturing acted as an anchor on total economic growth. A 0.3 percent increase in the Pennsylvania index of coincident indicators provides evidence of this view of overall modest growth. Additionally, the index of leading indicators rose 0.6 percent, reversing two straight months of decline. Given the volatile nature of both indicators during the past several months, **it is best not to get overly optimistic based on one month's upturn.**

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY COLLEGE OF BUSINESS ADMINISTRATION

— William D. Anderson

Housing Permits Report

During this year's first quarter, 7,808 housing units were authorized in Pennsylvania, essentially unchanged from a year ago. Given recent declines in mortgage rates, the first quarter's performance is somewhat disappointing. However, as we head into the spring and summer, the stimulative impact of the lowest mortgage rates in several years should take hold.

This impact is apparently already being felt at the national level, where the number of permits jumped more than 7 percent from year-ago levels. Additionally, housing starts in the U.S. are currently at their highest level since well before the back-to-back recessions of the early 1980s.

Pennsylvania Housing Units Authorized In Permit Issuing Places

	Units authorized	Pct. change from yr. ago
1986: IQ	7,808	0.7
1985:IVQ	10,321	n.a.
1985: IQ	7,752	n.a.

Source: U.S. Dept. of Commerce,
Bur. of the Census

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Around the State

Statewide trends in the first quarter were as follows:

—The jobless rate dropped 0.5 percentage point to its lowest level since 1980:IQ, a seasonally adjusted 7.4 percent. Resident employment rose 3 percent to stand at a record-high 5.22 million after seasonal adjustment, a gain that was strong enough to reduce the number of unemployed by 2.3 percent and absorb a 2.6 percent increase in the labor force.

—Manufacturing jobs fell a seasonally adjusted 0.5 percent to their lowest level on record, 1.07 million. Nonmanufacturing job levels rose 0.6 percent to stand at a record-high 3.73 million after seasonal adjustment.

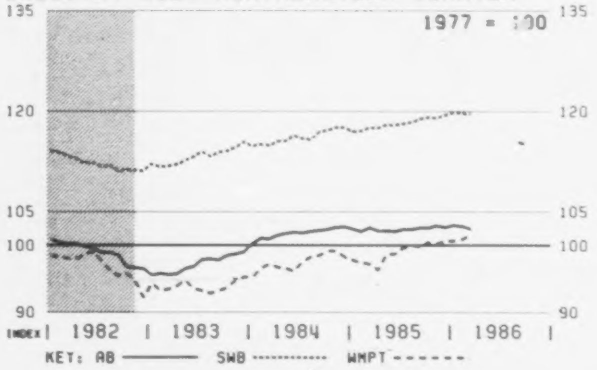
—Electricity sales to industry, a good proxy for industrial production, fell 1.9 percent after seasonal adjustment.

—The average factory workweek was down a seasonally adjusted 0.2 hour to 40.1 hours. Usually, the workweek rises before an increase in hiring.

—Residential construction contract awards were up 15 percent in value from a year earlier. Nonresidential contract values rose 25 percent over the same period.

Northeastern Quarter

INDUSTRY JOBS NORTHEASTERN QUARTER



SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

Allentown-Bethlehem

Economic conditions in the Allentown-Bethlehem region mirrored those throughout the State in the first quarter of 1986. The nonmanufacturing sector continued to be the driving force behind the economy. Jobs in the sector stood at a record-high 180,700 after seasonal adjustment. Except for last year's first quarter, when they held steady, job levels in nonmanufacturing have increased continuously since 1983:IQ.

Manufacturing, on the other hand, has held the region's economy back. At 82,700 after seasonal adjustment, job levels in the sector are the lowest on record in the region. The decline in manufacturing jobs over the past year was the second highest in the State in percentage terms.

The downward trend in jobs is not the only indicator signalling manufacturing's slump. Both the average factory workweek and electricity sales to industry fell again in the first quarter. The workweek, a good indicator of future manufacturing trends, fell from a seasonally adjusted 38.9 hours in last year's fourth quarter to 38.1 hours, its lowest level since 1983:IIQ. Electricity sales, a good proxy for industrial production, have not been as low as they were in the first quarter since the early 1980s.

Allentown-Bethlehem Area[1]

	Ave. mo. value 1 Q.'86	Average monthly index seas. adj. (1977 = 100) 1 Q.'86	4 Q.'85	1 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	287.2	107	105	106
Unemployed, no. of residents	28.5	129	129	117
Rate, seasonally adjusted	8.5			
Civilian labor force, no. of residents	315.7	109	106	106
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	259.7	103	103	102
Nonmfg. only, no. of jobs	177.6	122	120	116
Mfg. only, no. of jobs	82.1	77	79	84
Hrs. worked by production workers in mfg., *ave. weekly*	37.8	100	102	103
Industrial electric power sales				
Metropolitan area	•••	103	109	109
Allentown	•••	100	101	109
Bethlehem	•••	107	115	112
Easton	•••	98	103	98
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	50.7	+35		
Nonresidential contracts only	31.1	+ 8		

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

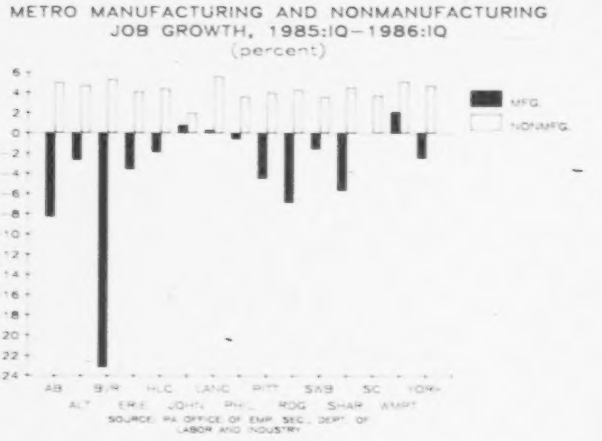
Despite the weakness in the manufacturing sector, the two measures of employment, jobs in nonagricultural establishments and total resident employment, both stand at or near record-highs. Because of nonmanufacturing's gains, nonagricultural job levels, at a seasonally adjusted 263,400, have increased in 10 of the past 12 quarters and are at their highest since the early 1980s.

At a record-high 293,800 after seasonal adjustment, total resident employment rose by 6,200 or 2.2 percent from last year's final quarter. Employment has advanced in 8 of the past 12 quarters. However, the employment gain was not strong enough to exert considerable downward pressure on unemployment. In fact, in absolute terms, joblessness rose slightly last quarter to a seasonally adjusted 27,100. The unemployment rate fell a slight 0.1 percentage point to 8.5 percent.

As the economy of the region continues to expand, albeit modestly, construction activity moves in step. The value of residential construction contract awards, at $50.7 million, rose 35 percent from a year ago in the first quarter. Nonresidential contract values grew a more moderate 8 percent.

Scranton-Wilkes-Barre

Because of an exceptionally large increase in the region's labor force during the first quarter of 1986, the healthy 2.9 percent increase in employment after seasonal adjustment was not strong enough to reduce the number of residents counted as unemployed in the Scranton-Wilkes-Barre area. The gain in employment translates into an absolute advance of 8,700 and leaves it at a record-high 311,400. However, because



METRO MANUFACTURING AND NONMANUFACTURING JOB GROWTH, 1985:IQ–1986:IQ
(percent)

SOURCE: PA OFFICE OF EMP. SEC., DEPT. OF LABOR AND INDUSTRY

of a seasonally adjusted gain of 9,100 in the labor force, the number of residents counted as unemployed rose by a slight 400 to 30,700 after adjustment. Still the positive impact of the employment gain was enough to offset the increase in the number of unemployed, resulting in a 0.1 percentage point reduction in the jobless rate to a seasonally adjusted 8.9 percent. Although the unemployment rate is well above the State's 7.4 percent average, it is still the lowest it has been since early 1979.

As is the case throughout most of Pennsylvania, there have been considerable differences in growth between the manufacturing and nonmanufacturing sectors in the region. The only time manufacturing job levels have been lower than the first quarter's seasonally adjusted 72,800 was in early 1983, just as the recession was bottoming out. Additionally, job levels have been on the decline in four of the last five quarters.

The behavior of both the average workweek and electricity sales to industry reflect manufacturing's sluggishness. At 37.9 hours, the workweek is down 0.5 hour from a year ago. There was just a very slight increase in electricity sales.

The situation is quite different in nonmanufacturing where job levels have increased in each of the last 8 quarters. During this year's first quarter, the gain totalled 1,600 or 0.8 percent after seasonal adjustment, leaving sectoral job levels at a record-high 205,800. On the strength of these gains in nonmanufacturing, total nonagricultural job levels in the region rose to a record-high last quarter, a seasonally adjusted 278,600.

Construction activity in the region was mixed during the first quarter. At $7.6 million, nonresidential contract values were off 36 percent from 1985:IQ. On the other hand, residential contract values, at $33.4 million for the quarter, were up 17 percent from a year earlier.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value *1 Q.'86*	Average monthly index seas. adj. (1977 = 100) *1 Q.'86*	*4 Q.'85*	*1 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	302.8	110	107	106
Lackawanna County[2]	n.a.	n.a.	n.a.	n.a.
Luzerne County[3]	n.a.	n.a.	n.a.	n.a.
Unemployed, no. of residents				
Metropolitan area	32.5	97	95	103
- Rate, seasonally adjusted	8.9			
Lackawanna County[2]	n.a.	n.a.	n.a.	n.a.
Luzerne County[3]	n.a.	n.a.	n.a.	n.a.
Civilian labor force, no. of residents				
Metropolitan area	335.3	109	106	106
Lackawanna County[2]	n.a.	n.a.	n.a.	n.a.
Luzerne County[3]	n.a.	n.a.	n.a.	n.a.
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	273.6	107	106	105
Nonmfg. only, no. of jobs	201.0	116	115	112
Mfg. only, no. of jobs	72.4	88	88	89
Hrs. worked by production workers in mfg., *ave. weekly*	37.9	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	...	102	101	102
Lackawanna County[2]	...	111	110	107
Luzerne County[3]	...	93	93	94
Hazleton	...	82	85	90
Wilkes-Barre	...	102	96	90
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	33.4	+17		
Nonresidential contracts only	7.6	-36		

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton
[4] Excludes Wyoming County

Williamsport

The Williamsport area economy appears to have more than held its own during the first quarter as manufacturing job levels rose for the second time in three quarters. At a seasonally adjusted 14,900, sectoral job levels were up 200 from the previous quarter. Furthermore, the region was one of only three metropolitan areas around the State to show an increase in manufacturing jobs from a year ago.

A seasonally adjusted 14.9 percent gain in electricity sales to industry, the largest in the State, provides additional evidence that there is some life left in the region's manufacturing sector. However, on the negative side, the average factory workweek fell for the first time in a year, declining from a seasonally adjusted 40.9 to 40.2 hours (two month average).

Nonmanufacturing job levels held steady last quarter at a seasonally adjusted 31,500. Still, this represents the highest level on record. All told, total jobs in all nonagricultural establishments rose for the fourth straight quarter, settling at a sesonally adjusted 46,500.

The news is also good on the unemployment front where the jobless rate fell a seasonally adjusted 0.6 percentage point to 8.1 percent, the lowest since 1978. A strong seasonally adjusted 3 percent increase in resident employment contributed to the decline in the unemployment rate. This increase, which translates into an absolute gain of 1,500, leaves employment at its highest level on record, 51,000 after seasonal adjustment. In declining a slight 200 after seasonal adjustment, the number of residents counted as unemployed fell to their lowest level since 1979, 4,500.

Partially reflecting the overall economic rebound in the region, construction activity was up considerably over year-ago levels. The $3.3 million in residential contracts represents

Williamsport Area[1]

	Ave. mo. value 1 Q.'86	Average monthly index seas. adj. (1977 = 100) 1 Q.'86	4 Q.'85	1 Q.'85
Employment *(in thousands)*				-
Employed, no. of residents	49.4	109	105	103
Unemployed, no. of residents	5.1	98	104	114
Rate, seasonally adjusted	8.1			
Civilian labor force, no. of residents	54.5	108	105	104
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	45.6	101	100	98
Nonmfg. only, no. of jobs	31.1	112	112	107
Mfg. only, no. of jobs	14.6	84	82	83
Industrial electric power sales	•••	87	76	86

Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd
Residential contracts only	3.3	+ 50
Nonresidential contracts only	1.1	+ 175

[1] Lycoming County

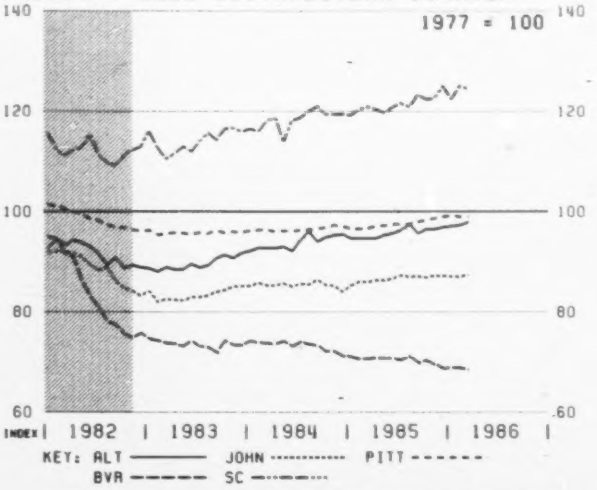
a gain of 50 percent from 1985:IQ. An even stronger performance was turned in on the nonresidential side where, at $1.1 million, contract values were nearly three times their year-ago levels.

Southwestern Quarter

Altoona

The Altoona area economy failed to pick up much ground during this year's first quarter despite the highest level of employment since 1980:IQ. At a seasonally adjusted 53,600, employment is up 1,600 from last year's final quarter. However, given an increase in the labor force, the employment gain was not strong enough to put a dent in the region's unemployment problem. With the third highest jobless rate of all metropolitan areas, a seasonally adjusted 10.1 percent, it is apparent that the region is failing to keep pace with the State and national economies.

INDUSTRY JOBS SOUTHWESTERN QUARTER



SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

As is the case with total employment, the number of jobs in the region's nonagricultural establishments, at 49,900 after seasonal adjustment, is the highest since early in the decade. First quarter's gain of 400 jobs represents the fourth consecutive quarterly advance.

Despite a slight gain of 300 jobs during the quarter, the first since 1984:IVQ, manufacturing continues to be the major contributing factor to the region's difficulties. In all, 11,100 jobs were maintained in the region's manufacturing establishments after adjustment for normal seasonal variations. That represents a fall of 300 from a year ago. Similar to the situation throughtout the State, manufacturing jobs have yet to surpass those levels which prevailed before the recessions of the early 1980s.

All of the area's recent job growth has come in the nonmanufacturing sector where job levels rose for the fourth straight quarter. Whereas the Commonwealth is maintaining a record level of nonmanufacturing positions, the seasonally adjusted 38,800 jobs in Altoona establishments fall short of the region's high-water mark set in the late 1970s.

The weakness of the manufacturing sector is reflected in the behavior of both the average factory workweek and sales of electricity to industrial customers. At a seasonally adjusted 39.5 hours (two month average), the workweek was unchanged from last year's final quarter. The workweek normally rises before any pick-up in hiring. Electricity sales were at their lowest level in three years.

It is not surprising that, given the sluggish economy, construction activity in the region was off during this year's first quarter. A weak economy leads to declines in construction activity. Specifically, nonresidential contract values were off 20 percent from a year ago, while residential contract values, despite considerable declines in mortgage rates, were unchanged.

Johnstown

Economic activity in the Johnstown area grew moderately in this year's first quarter, but there are still some major hurdles to be cleared for the current recovery to be labeled a success. Despite a 0.5 percentage point decline in the unemployment rate, to a seasonally adjusted 12 percent, it is still the second highest of all of the State's metropolitan areas and one of only three double-digit jobless rates.

Part of the decline in the unemployment rate is the result of a seasonally adjusted 2.7 percent rise in employment. This translates into a gain of 2,200 and leaves employment at 85,000. Whereas the Commonwealth is currently operating at a record-level of employment, Johnstown resident employment is well below the levels which prevailed throughout the 1970s and early 1980s. Given that the region's labor force rose by 2,000 individuals, last quarter's employment gain brought about a reduction of nearly 300 in the number of unemployed.

Construction appears to be a major bright spot in the economy. Nonresidential contract awards, at $21.5 million in the first quarter, are nearly four times their value from a year earlier. Residential building permit values grew a strong 37 percent over the year in rising to $7.8 million.

Job trends in the region's nonagricultural establishments

Altoona Area[1]

	Ave. mo. value 1 Q.'86	Average monthly index seas. adj. (1977 = 100) 1 Q.'86	4 Q.'85	1 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	51.4	103	100	98
Unemployed, no. of residents	6.6	147	145	135
Rate, seasonally adjusted	10.1			
Civilian labor force, no. of residents	58.0	106	103	101
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	48.3	97	97	95
Nonmfg. only, no. of jobs	37.5	102	102	98
Mfg. only, no. of jobs	10.8	84	83	87
Industrial electric power sales	***	78	81	82
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	4.4	0		
Nonresidential contracts only	2.8	−20		

[1] Blair County

are different from patterns throughout the Commonwealth. In the manufacturing sector, where recent job declines at the State level have been well-publicized, jobs in the Johnstown region have held fairly steady as of late. In fact, there was a slight increase of 200 jobs last quarter to 12,500 after seasonal adjustment. Still, job levels are only about one-half what they were in the early 1970s.

The behavior of the average factory workweek does not signal any pick-up in hiring in the sector. Normally, the workweek rises before any such increase. However, in the Johnstown region, it has declined in each of the last two quarters and is at its lowest level since early 1983, 35.7 hours (two month average) after seasonal adjustment. A good sign, however, is first quarter's increase in electricity sales to industry, the fourth consecutive gain.

Nonmanufacturing is not showing the growth in the region that it is showing throughout the State. Job levels fell a seasonally adjusted 200 in the first quarter, settling at 63,900. The increase in nonmanufacturing jobs over the 1985:IQ-1986:IQ. was the lowest of all metropolitan areas in the State.

Johnstown Area[1]

	Ave. mo. value 1 Q.'86	Average monthly index seas. adj. (1977 = 100) 1 Q.'86	4 Q.'85	1 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	82.0	88	86	86
Unemployed, no. of residents	13.1	106	111	114
Rate, seasonally adjusted	12.0			
Civilian labor force, no. of residents	95.1	90	89	89
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	74.5	87	87	86
Nonmfg. only, no. of jobs	62.2	96	96	94
Mfg. only, no. of jobs	12.2	59	58	59
Industrial electric power sales	***	158	158	134
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	7.8	+ 37		
Nonresidential contracts only	21.5	+277		

[1] Cambria and Somerset Counties

Pittsburgh-Beaver Valley

Although some economic growth is evident, an examination of first quarter trends in the Pittsburgh-Beaver Valley area shows that, at the least, there is substantial room for improvement, especially in Beaver County. Manufacturing continues to be a problem as job levels fell for the seventh time in the last eight quarters in the Pittsburgh area and for the seventh consecutive quarter in Beaver County. The seasonally adjusted 136,300 jobs in the Pittsburgh area and the 11,700 jobs in Beaver County both represent all-time lows. The seventh consecutive decrease in sales of electricity to industrial customers provides further evidence of manufacturing's slump.

What growth there is in the region is being generated in the nonmanufacturing sector. Job levels in the Pittsburgh area increased by a seasonally adjusted 4,900 in the sector during the first quarter to a record-high 725,800. A slight increase of 200 jobs in Beaver County, to 40,600 after seasonal adjustment, still left the number of jobs below pre-recessionary levels.

Despite this one-sided growth pattern, gains in employment during the first quarter were strong enough to absorb increases in the labor force and reduce the number of unemployed. Employment in the four-county Pittsburgh area rose a healthy 23,600 to a seasonally adjusted 893,900. In Beaver County, the increase amounted to 1,300 jobs, leaving employment at 57,900 after adjustment. Whereas employment in the Commonwealth as a whole is currently at an all-time high, employment levels in the Pittsburgh-Beaver Valley region are below pre-recessionary levels.

Partly because of last quarter's gains in employment, the jobless rate fell a seasonally adjusted 0.4 percentage point in the Pittsburgh and Beaver County areas. Still, of the 15 metropolitan areas around the State, Beaver County's 14.8 percent rate was the highest, while Pittsburgh's 8.4 percent jobless rate was just about average, but still well above the State's 7.4 percent.

Residential construction contract values were up from year-ago levels throughout the Pittsburgh-Beaver Valley area, probably spurred on by declining mortgage rates. On the nonresidential side, contract values were up 53 percent in the Pittsburgh area but fell from $700,000 a year ago in Beaver County to zero during this year's first quarter.

State College

First quarter trends indicate that the State College region has the strongest economy in Western Pennsylvania. The region's unemployment rate dipped a strong 1.5 percentage points to 6.4 percent after seasonal adjustment, the fifth lowest in the State.

The decline in the unemployment rate was the result of a 5.1 percent employment gain from the previous quarter. This translates into an absolute advance of 2,600 and leaves employment at a record-high 53,500. The number of residents counted as unemployed fell a seasonally adjusted 15.9 percent to 3,700, the lowest it has been since 1980. Another good sign is the fourth consecutive quarterly increase in the region's labor force. This suggests that the residents of the

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value 1 Q.'86	Average monthly index seas. adj. (1977 = 100) 1 Q.'86	4 Q.'85	1 Q.'85
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	868.8	103	100	99
Beaver County	56.4	68	66	69
Unemployed, no. of residents				
Pittsburgh[1]	87.5	129	133	147
Beaver County	10.1	156	157	155
Unemployment Rate, seas. adj.				
Pittsburgh[1]	8.4			
Beaver County	14.8			
Civilian labor force, no. of residents				
Pittsburgh[1]	956.3	105	102	102
Beaver County	66.5	74	73	75
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	845.1	99	99	97
Beaver County	51.5	69	70	71
Nonmfg. only, no. of jobs				
Pittsburgh[1]	709.7	112	111	107
Beaver County	39.9	107	106	102
Mfg. only, no. of jobs				
Pittsburgh[1]	135.1	62	63	65
Beaver County	11.6	31	33	40
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	41.3	n.a.	n.a.	n.a.
Beaver County	41.2	n.a.	n.a.	n.a.
Industrial electric power sales	***	62	65	70

Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd
Residential contracts only		
Pittsburgh[1]	95.1	+ 38
Beaver County	4.4	+ 5
Nonresidential contracts only		
Pittsburgh[1]	124.5	+ 53
Beaver County	0.0	− 100

[1] Allegheny, Fayette, Washington and Westmoreland Counties
[2] Beaver County

area have a good deal of confidence in the health of the economy.

Total jobs in the region's nonagricultural establishments have increased five straight quarters and stand at a record-high 50,500 after seasonal adjustment. Unlike the situation throughout the Commonwealth as a whole, manufacturing appears to be holding its own. In fact, job levels rose by a slight 300 last quarter to stand at seasonally adjusted 7,900. A surprisingly large 8.7 percent seasonally adjusted increase in electricity sales to industry is a further indication that the region's manufacturing industries are in slightly better shape than in the State as a whole.

Nonmanufacturing job levels dipped a slight 0.2 percent during this year's first quarter to a seasonally adjusted 42,500 after four consecutive quarterly advances. However, this still represents the second highest level on record and the industries in this sector continue to dominate the regional economy.

Nonresidential construction activity was apparently up last quarter as the value of contract awards, $12.9 million, was more than double the value from a year ago. The 6 percent decline in residential contract values to $12.8 million is somewhat disturbing. However, the impact of the lowest mortgage rates in several years should soon take hold and give the sector a considerable boost.

State College Area[1]

	Ave. mo. value 1 Q.'86	Average monthly index seas. adj. (1977 = 100) 1 Q.'86	4 Q.'85	1 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	51.9	128	121	119
Unemployed, no. of residents	4.0	138	164	156
Rate, seasonally adjusted	6.4			
Civilian labor force, no. of residents	55.9	128	124	121
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	49.7	124	123	120
Nonmfg. only, no. of jobs	41.8	124	124	120
Mfg. only, no. of jobs	7.9	124	118	122
Industrial electric power sales	***	105	97	103

Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd
Residential contracts only	12.8	− 6
Nonresidential contracts only	12.9	+ 130

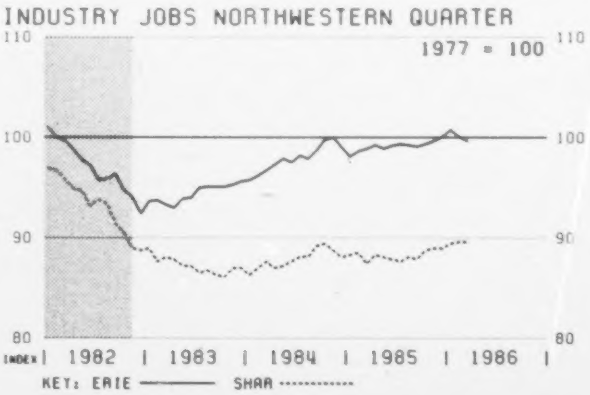
[1] Centre County

Northwestern Quarter

Erie

Economic trends during this year's first quarter in the Erie area show an overall picture of moderate, but far from spectacular, growth. Although it has advanced in 7 of the past 12 quarters, employment, at a seasonally adjusted 118,100, is still below pre-recessionary levels. The first quarter gain of 3,400 was not enough to push down the number of residents counted as unemployed which rose slightly to 10,500 after seasonal adjustment. The jobless rate fell an insignificant 0.1 percentage point to 8.2 percent, its lowest level since the first quarter of 1980. Given that the region's unemployment rate stood at 7.1 percent in 1979, the last full year before the recessions of the early 1980s, it is apparent that there is considerable room for improvement.

Jobs in the slumping manufacturing sector continued their recent declines in falling a seasonally adjusted 200 to 35,400. The only time when job levels were less than this occurred



SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

in 1983, just as the recovery was getting started.

There are some indications that activity in the region's manufacturing sector may be bottoming out. The average factory workweek rose almost one-half hour to a seasonally adjusted 42.5 hours (two month average), the highest in the Commonwealth. Sales of electricity to industry rose a strong 9.5 percent, the second largest advance in the Commonwealth last quarter. However, the volatile behavior of both of these indicators over the past several quarters suggests that the best we can hope for is a cessation of job losses in manufacturing. A strong rebound is highly unlikely.

As elsewhere in Pennsylvania, recent job gains in the Erie region have been fueled by the nonmanufacturing sector. The seasonally adjusted 75,000 jobs in the sector represent a gain of slightly more than 1 percent from last year's final quarter. Nonmanufacturing job levels have slipped only once in the last 13 quarters in rising to a record-high.

Construction activity moved ahead along with the economy. At $9.1 million, residential construction contract awards rose 2 percent from 1985's first quarter. The $9.5 million in nonresidential awards represents a gain of more than 50 percent from year-ago levels.

Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'86	*1 Q.'86*	*4 Q.'85*	*1 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents	114.4	106	103	103
Unemployed, no. of residents	11.6	116	114	121
Rate, seasonally adjusted	8.2			
Civilian labor force, no. of residents	125.9	107	104	104
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	108.1	100	100	98
Nonmfg. only, no. of jobs	73.0	111	110	107
Mfg. only, no. of jobs	35.0	83	83	85
Industrial electric power sales	***	103	94	95
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	9.1	+ 2		
Nonresidential contracts only	9.5	+51		

[1] Erie County

Sharon

Economic growth in the Sharon region was moderate at best during this year's first quarter as the manufacturing sector continued holding the economy back. At a seasonally adjusted 10,000, jobs in the region's manufacturing sector are at their lowest level on record. Furthermore, they have declined in five of the last six quarters, including a seasonally adjusted fall of 200 in this year's first quarter. A seasonally adjusted 4.5 percent reduction in electricity sales to industry during the quarter is further evidence of manufacturing's slump.

What growth there has been in the region is the result of gains in nonmanufacturing. Sectoral job levels have advanced in each of the last four quarters to stand at a seasonally adjusted 30,500. However, whereas job levels in Pennsylvania nonmanufacturing establishments are currently at an all-time high, they fall short of the high-water mark set in 1981 in the Sharon region.

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'86	*1 Q.'86*	*4 Q.'85*	*1 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents	44.6	95	91	93
Unemployed, no. of residents	4.7	106	113	129
Rate, seasonally adjusted	8.6			
Civilian labor force, no. of residents	49.4	96	93	95
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	39.8	90	89	88
Nonmfg. only, no. of jobs	29.9	106	104	101
Mfg. only, no. of jobs	9.9	62	62	65
Industrial electric power sales	***	98	102	107
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	3.3	−27		
Nonresidential contracts only	7.9	0		

[1] Mercer County

As is the case throughout much of Pennsylvania, the gains in nonmanufacturing have been offsetting manufacturing's losses in the Sharon region. Total jobs in all nonagricultural establishments increased by a seasonally adjusted 300 last quarter in rising to 40,600.

Total resident employment in the region rose a healthy 4.8 percent after seasonal adjustment from the previous quarter, settling at 45,900, the highest level since 1982. A quick glance at historical data shows that there is considerable room for improvement in the employment situation in the region. Quarterly seasonally adjusted employment levels between 1970 and 1982 were lower than their current level in only three instances.

Still, there is no arguing that there has been some improvement in the employment/unemployment situation as of late. In fact, first quarter's seasonally adjusted employment gain of 2,100 after seasonal adjustment was strong enough to absorb an increase in the labor force and reduce the number of unemployed by 200 to a seasonally adjusted 4,300. The end result was a decline in the unemployment rate from 9.4 to 8.6 percent after seasonal adjustment, its lowest level since 1981.

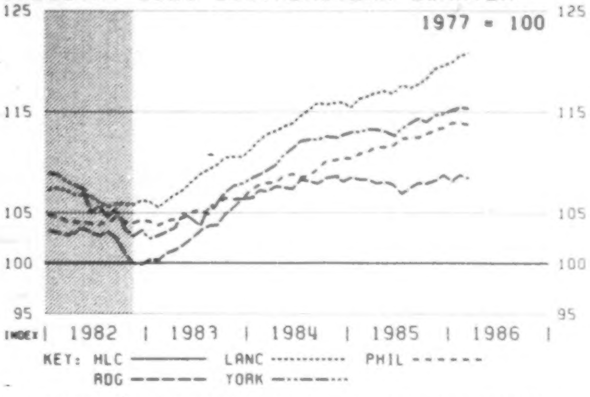
Based on the value of contracts awarded, the region's construction industry failed to contribute to economic growth. The $7.9 million in nonresidential contracts awarded in this year's first quarter is unchanged from a year ago. Despite considerable declines in mortgage rates, residential contract values, at $3.3 million for the quarter, were off 27 percent from year-ago levels.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

The Harrisburg-Lebanon-Carlisle area economy turned in an impressive economic performance during the first quarter of 1986. At a seasonally adjusted 5.1 percent, the lowest it has been since early 1979, the region's jobless rate is the second lowest of all metropolitan areas in the Commonwealth. This

INDUSTRY JOBS SOUTHEASTERN QUARTER



SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'86	*1 Q.'86*	*4 Q.'85*	*1 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents	280.4	114	111	110
Unemployed, no. of residents	17.3	101	104	110
Rate, seasonally adjusted	5.1			
Civilian labor force, no. of residents	297.7	114	110	110
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	276.4	114	114	111
Nonmfg. only, no. of jobs	225.4	120	119	115
Mfg. only, no. of jobs	51.0	95	95	96
Hrs. worked by production workers in mfg., *ave. weekly*	39.5	n.a.	n.a.	n.a.
Industrial electric power sales	***	66	70	76
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	40.8	+58		
Nonresidential contracts only	37.4	+49		

[1]Cumberland, Dauphin, Lebanon, and Perry Counties

is down 0.3 percentage points from the previous quarter as an increase in employment was strong enough to absorb a rise in the labor force and reduce the number of residents counted as unemployed.

The 288,100 residents counted as employed after adjustment for normal seasonal variations is a record-high and represents a gain of 8,900 or 3.2 percent from last year's final quarter. In that the region's labor force rose by 8,400, this resulted in a decline of about 600 in the number of unemployed.

Similar to trends throughout much of Pennsylvania, the nonmanufacturing sector in the region has been fueling the increase in jobs as of late. Job levels in the sector have increased 13 straight quarters and currently stand at a record-high 229,600 after seasonal adjustment.

At the same time, manufacturing has been contributing little to overall economic growth in the region. At a seasonally adjusted 51,600, job levels in manufacturing establishments are at their lowest point since late in the back-to-back recessions of the early 1980s. However, despite manufacturing's problems, total jobs in the region's nonagricultural establishments rose to a record-high 281,200 after seasonal adjustment last quarter as the gains in nonmanufacturing offset manufacturing's losses.

Reflecting the apparent sluggishness in manufacturing activity, sales of electricity to industrial customers dipped 6.1 percent last quarter. However, the average factory workweek did jump 0.3 hour from a year ago.

Construction activity, as measured by the value of contracts awarded rose considerably. Residential contract values, at $40.8 million, were up a strong 58 percent from 1985's first quarter. Certainly, recent declines in mortgage rates contributed to this surge. This increase was nearly matched by the 49 percent rise in nonresidential contract values to $37.4 million.

Lancaster

It is hard to find any bad news in the performance of the Lancaster area economy in the first quarter. The region's manufacturing sector held its own while nonmanufacturing provided the bulk of new jobs. Manufacturing job levels rose a slight seasonally adjusted 300 to 58,500, the second consecutive gain. This is quite an accomplishment given the downward trend in manufacturing jobs at the State and national levels. A minimal decline in the average workweek to 40.1 hours after seasonal adjustment and the third straight gain in electricity sales to industry provide further evidence that the region's manufacturing establishments, though far from growing rapidly, are at least in slightly better shape than in most areas within the Commonwealth.

Nonmanufacturing job levels totaled a record-high 111,700 after seasonal adjustment. Job levels have advanced in 14 straight quarters, including a gain of 1,700 in this year's first quarter. Total nonagricultural jobs in the region, on the strength of nonmanufacturing's gains, currently stand at a record-high 170,200 after seasonal adjustment.

The news was just as good, if not better, on the resident employment/unemployment front. First quarter employment rose a seasonally adjusted 6,700 or 3.5 percent to a record-high 196,600. In that there was a slightly smaller increase in the labor force of 5,700, this helped drive down the number

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'86	*1 Q.'86*	*4 Q.'85*	*1 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents	189.9	125	121	119
Unemployed, no. of residents	8.6	89	100	106
Rate, seasonally adjusted	3.6			
Civilian labor force, no. of residents	198.5	123	120	119
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	166.8	120	119	116
Nonmfg. only, no. of jobs	109.0	132	130	125
Mfg. only, no. of jobs	57.7	103	102	103
Hrs. worked by production workers in mfg., *ave. weekly*	39.9	101	101	100
Industrial electric power sales	***	126	126	124
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	37.3	+16		
Nonresidential contracts only	9.2	+67		

[1]Lancaster County

of individuals counted as unemployed by 1,000 to 7,300. Unemployment has not been lower than this since 1974. The gain in employment and decline in unemployment enabled the region to solidify its hold on the distinction of having the lowest jobless rate in the State. At a seasonally adjusted 3.6 percent, the jobless rate was down 0.6 percentage point from the previous quarter.

Not surprisingly, construction activity in the region was also on an upward trend last quarter. Residential contract values rose 16 percent, while on the nonresidential side, they were up 67 percent.

Philadelphia

The Philadelphia regional economy turned in a fairly strong performance during this year's first quarter. Enough jobs were created to absorb an increase in the labor force and reduce the number of unemployed. All told, there were 2.21 million residents employed after adjustment for normal seasonal variations. This is a record-high and represents a gain of 47,700 or 2.2 percent from the previous quarter.

Given that the labor force rose a strong seasonally adjusted 44,900, this helped reduce the number of unemployed by 2,800 to 130,900 after adjustment. The end result was a 0.2 percentage point decline in the jobless rate to a seasonally adjusted 5.6 percent, the lowest since 1974. This is the third lowest jobless rate among the Commonwealth's 15 metropolitan areas.

As is the case throughout much of Pennsylvania, nonmanufacturing establishments are fueling job growth in the region. Job levels in the sector have been on the rise for the past 17 quarters and now stand at a record-high 1.68 million after seasonal adjustment. This represents a gain of 11,600 or 0.7 percent from a quarter ago.

The situation is just the opposite in the manufacturing sector. There have been only minimal increases in manufacturing job levels in each of the last two quarters. At a seasonally adjusted 397,400, manufacturing jobs are about 12 percent below pre-recessionary levels. A seasonally adjusted 0.4 hour decline in the average workweek to 40 hours does not provide any hope for a quick rebound in hiring.

Despite the weakness in manufacturing, total jobs in the region's nonagricultural establishments have advanced in 12 consecutive quarters and currently stand at a record-high 2.08 million after seasonal adjustment.

Based on the value of contracts awarded, both residential and nonresidential construction activity is up. The $266.7 million in nonresidential contracts during the first quarter is a 22 percent improvement over a year ago. At $264.5 million, first quarter residential contract values rose a more moderate 3 percent.

Philadelphia Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'86	*1 Q.'86*	*4 Q.'85*	*1 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents	2171.4	117	114	113
Unemployed, no. of residents	133.8	74	75	77
Rate, seasonally adjusted	5.6			
Civilian labor force, no. of residents	2305.2	113	111	110
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2059.1	114	113	111
Nonmfg. only, no. of jobs	1662.3	122	121	118
Mfg. only, no. of jobs	396.3	89	89	90
Hrs. worked by production workers in mfg., *ave. weekly*	39.8	101	102	101
Industrial electric power sales	***	100	102	99
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	264.5	+ 3		
Nonresidential contracts only	266.7	+ 22		

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

Reading

Despite being held back by continued sluggishness in manufacturing, overall economic growth in the Reading area during the year's first quarter was fairly strong. In declining 0.3 percentage point to a seasonally adjusted 7.1 percent, the region registered its third consecutive unemployment rate decline. The fall in the jobless rate is the result of a solid 3 percent gain in employment to a record-high 156,800 after seasonal adjustment. This gain, which translates into 4,600 additional employed residents, absorbed a net inflow of 4,400 into the workforce and reduced the number of unemployed by 200.

First quarter's improvements are again attributable to the nonmanufacturing sector in the region. Establishments in this sector maintained a record-high 94,300 jobs during the quarter, up 500 from the previous quarter. This represents the 13*th* consecutive quarter in which nonmanufacturing jobs have advanced in the region.

On the other hand, jobs in the area's manufacturing establishments declined for the seventh straight quarter. Job levels in the sector, at a seasonally adjusted 48,600, are only slightly above their record-low set in the mid-1970s. Still, nonmanufacturing's gains were enough to offset manufacturing's losses, resulting in a seasonally adjusted gain of 200 in total nonagricultural jobs to a record-high 142,800.

A slight decline in the average factory workweek from last year's final quarter, from 39.7 to 39.6 hours after seasonal

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'86	*1 Q.'86*	*4 Q.'85*	*1 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents	153.1	115	112	114
Unemployed, no. of residents	13.0	130	133	120
Rate, seasonally adjusted	7.1			
Civilian labor force, no. of residents	166.1	116	113	114
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	141.0	108	108	108
Nonmfg. only, no. of jobs	92.6	117	116	112
Mfg. only, no. of jobs	48.4	95	96	102
Hrs. worked by production workers in mfg., *ave. weekly*	39.5	101	102	104
Industrial electric power sales	***	125	125	127
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	22.0	+ 13		
Nonresidential contracts only	9.2	− 16		

[1] Berks County

adjustment, does not signal any future increase in hiring. Normally, employers increase hours worked by existing employees before hiring additional workers. A minimal increase in sales of electricity to industry during the quarter is nothing to get excited about.

Construction activity in the region during this year's first quarter was mixed as nonresidential contract values dipped 16 percent from a year ago to $9.2 million. However, probably spurred on by declining mortgage rates, residential contract values rose 13 percent from 1985's first quarter to $22 million.

York

The York area turned in another strong economic performance during this year's first quarter as the jobless rate fell for the third consecutive time from a seasonally adjusted 6.7 percent to 5.6 percent. This is the third lowest unemployment rate in the Commonwealth. Contributing to the decline was a healthy 3.8 percent increase in employment after seasonal adjustment. This gain, which translates into an increase of 7,100, leaves employment at a record-high 194,700. At the same time, the number of residents counted as unemployed fell to 11,500 after adjustment for normal seasonal variations, the lowest since 1980:IQ.

York Area[1]

	Ave. mo. value *1 Q '86*	Average monthly index seas. adj. (1977 = 100) *1 Q '86*	 *4 Q '85*	 *1 Q '85*
Employment *(in thousands)*				
Employed, no. of residents	188.8	126	122	122
Unemployed, no. of residents	12.8	114	133	133
Rate, seasonally adjusted	5.6			
Civilian labor force, no. of residents	201.6	125	122	123
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	161.0	115	114	113
Nonm'g. only, no. of jobs	103.3	128	127	122
Mfg. only, no. of jobs	57.7	98	98	100
Hrs. worked by production workers in mfg., *ave. weekly*	41.3	101	100	100
Industrial electric power sales	***	109	112	103
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	22.7	+ 14		
Nonresidential contracts only	25.0	+233		

[1] Adams and York Counties

In that activity in the sector around the State is quite sluggish, manufacturing's second consecutive quarterly job gain in the region is encouraging. However, at a seasonally adjusted 58,400, job levels in the sector are still considerably below the all-time high established in 1979. Another good sign for manufacturing is the third straight gain in the average factory workweek to a seasonally adjusted 41.6 hours, up 0.5 hour from last year's final quarter. Usually, the workweek rises prior to an increase in hiring. On the negative side, however, is the seasonally adjusted 2.7 percent fall in electricity sales to industry.

Although job levels in manufacturing appear to be, at the least, holding fairly steady, albeit at a historically low level, nonmanufacturing activity is moving along at a fairly brisk pace. Job levels in the sector have advanced in each of the past 14 quarters, including a seasonally adjusted 1.1 percent gain in this year's first quarter. This gain of 1,100 leaves sectoral job levels at a record-high 105,400 after seasonal adjustment. Mostly on the strength of the nonmanufacturing sector, total nonagricultural jobs have been at an all-time high since 1985:IIIQ. Currently, they stand at a seasonally adjusted 163,700.

Not surprisingly, the region's construction industry also turned in a solid quarter. At $25 million, total nonresidential construction contracts more than tripled their value from a year ago. Although considerably smaller than in the nonresidential sector, the 14 percent annual gain in residential contract values, to $22.7 million, is also a good sign.

— *William D. Anderson*

PENNSYLVANIA BUSINESS SURVEY
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PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University June 1986

DESPITE A SLUGGISH APRIL, ECONOMY ON GROWTH TREND

Although the Commonwealth's economy failed to generate any momentum during April, there are **some indications that growth lies ahead.** The index of coincident indicators, which is positively correlated with current economic trends, fell 0.1 percent during the month following a 0.5 percent gain in March. On the other hand, the index of leading indicators, which signals future economic trends, turned in its second consecutive 0.7 percent advance.

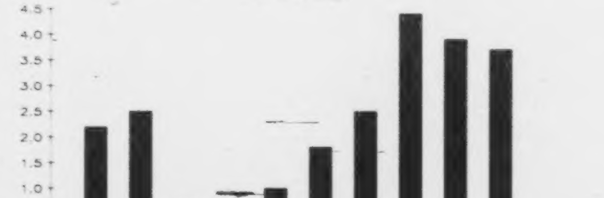
All three components of the coincident indicators registered declines: total resident employment, manufacturing job levels, and real earnings in the manufacturing sector. The very slight decline in employment, to a seasonally adjusted 5.3 million, comes on the heels of four straight monthly gains. Still, it is the second highest level on record and is up more than 210,000 from a year ago. At the same time, **the unemployment rate dipped a seasonally adjusted 0.5 percentage point to 7.1 percent. However, this decline is somewhat misleading since it is the result of a net outflow of individuals from the labor force** rather than an increase in the number of unemployed finding jobs. The labor force shrunk by a seasonally adjusted 35,000 individuals, while the number of residents counted as unemployed fell by 33,000.

Despite April's weakness, **there is no denying that Pennsylvania turned in a fairly solid performance on the employment/unemployment front during this year's first four months.** Compared to the same period in 1985, employment in the Commonwealth is up 3.7 percent relative to the nation's 2 percent growth rate. The number of residents in the State counted as unemployed dropped 7.1 percent over the period compared to the nation's 1.5 percent decline. Additionally, Pennsylvania's performance relative to the ten other large states covered by the *Current Population Survey* is also quite strong (see charts). Employment growth in Pennsylvania over the period is the third highest among these states. The decline in the jobless rate is the second highest. However, despite the Commonwealth's favorable performance as of late, the State's jobless rate has remained above the nation's (7.3 percent during the first four month's of this year after seasonal adjustment vs. 7.1 percent in the nation) and is the fifth highest among the 11 largest states.

A good deal of the economy's inability to put a significant dent in the unemployment rate may be traced to problems in the manufacturing sector. Job levels in these establishments fell again in April to a seasonally adjusted 1.05 million, another all-time low. The fall, which totalled 7,700, is due to declines in both the durable and nondurable goods industries. Additionally, total hours worked and total payrolls in manufacturing also fell in April. On the positive side, electricity sales to industry, a good barometer of industrial production, and steel output rose. All told, however, **the negative signals coming from the manufacturing sector outweigh the positive ones with no rebound yet in sight.**

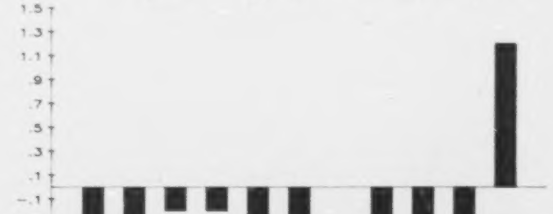
What job growth there has been lately has occurred in Pennsylvania's nonmanufacturing industries. Job levels in these establishments have advanced in each of the last 15 months to stand at a record-high 3.74 million after seasonal adjustment. Again, services industries contributed to non-

EMPLOYMENT GROWTH RATES FOR THE 11 LARGEST STATES, 1985 YTD TO 1986 YTD (percent)

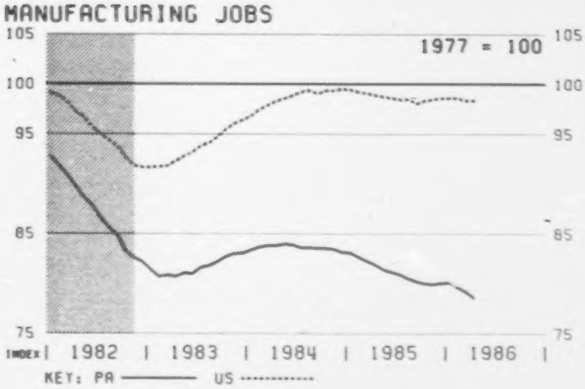


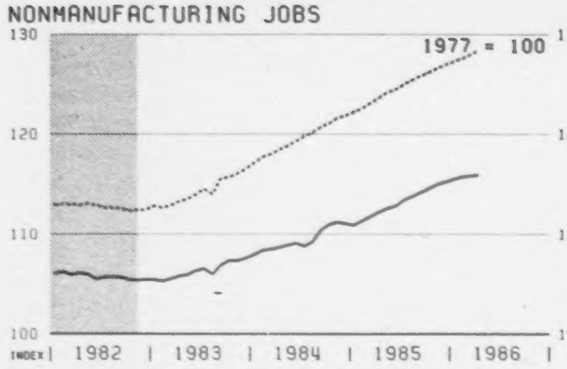
SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

UNEMPLOYMENT RATE CHANGES FOR THE 11 LARGEST STATES, 1985 YTD TO 1986 YTD (percentage point difference)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.





SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

manufacturing's strength. The accompanying chart provides some insight into the structure of Pennsylvania's services industries. Health-related industries accounted for one-third of all services jobs last year, while the "other & miscellaneous" category accounted for more than one-fifth. The latter group includes such industries as personal services, repair shops, and engineering services, to name a few. Industries providing services to businesses, such as printing and advertising, accounted for 16 percent of all jobs in services.

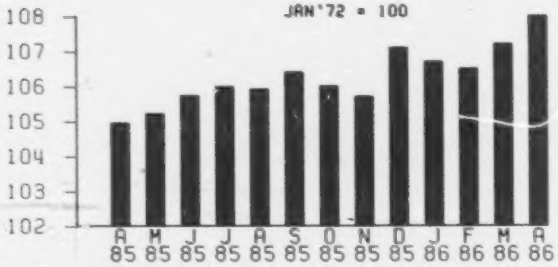
For the second month in a row, nonmanufacturing's gains have not been strong enough to offset manufacturing's losses. As a result, job levels in all nonagricultural establishments in the Commonwealth dipped again in April after seasonal adjustment to 4.79 million. Hence, while re-

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1986		1985	1986		1985	1986		1985
	Mar	*Apr*	*Apr*	*Mar*	*Apr*	*Apr*	*Mar*	*Apr*	*Apr*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,740	4,794	4,717	4,795	4,789	4,717	105.0	104.9	103.3
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,682	3,733	3,616	3,733	3,735	3,618	115.8	115.9	112.2
Manufacturing									
No. of wage and salary jobs (thous.)	1,056	1,053	1,098	1,062	1,054	1,099	79.1	78.6	81.9
Ave. wkly. hrs. worked by prod. workers	40.2	40.0	39.4	40.2	40.2	39.6	101.6	101.6	100.2
Total wkly. person-hours worked (mils.)	28.7	28.5	29.4	28.9	28.7	29.6	75.2	74.7	77.1
Total wkly. payroll (mil. dols.)	278.4*	277.0	281.3	280.4*	278.6	282.9	124.8*	124.0	125.9
Steel production (thous. tons)	1,074	1,067	1,199	n.a.	n.a.	n.a.	40.1	41.4	46.8
Industrial electric power sales (mil. kwh)	3,475	3,433	3,565	3,363	3,416	3,528	91.1	92.5	95.5
Mining									
Anthracite coal (thous. net tons)	305	300	249	310	375	310	63.4	76.7	63.4
Bituminous coal (thous. net tons)	5,350	n.a.	5,246†	4,854	n.a.	4,808†	68.8	n.a.	68.2†
Construction contracts awarded (mil. dols.)									
Total	742.2	884.8	634.8*	768.4	749.2	551.5*	238.8	232.9	171.4*
Residential building	292.9	434.7	300.0*	319.5	382.8	259.1*	227.0	272.0	184.1*
Nonresidential building	219.8	242.4	139.4*	256.6	213.9	130.2*	236.5	197.2	120.1*
Nonbuilding (utilities and public works)	229.6	207.8	195.3*	192.3	152.5	162.2*	265.3	210.4	223.7*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,166	5,189	4,978	5,302	5,300	5,087	110.3	110.3	105.9
Unemployed									
No. of persons (thous.)	445	392	445	434	401	454	108.2	99.9	113.2
Rate (percentage of labor force)	7.9	7.0	8.2						
Rate, seasonally adjusted				7.6	7.1	8.2			
Civilian labor force, no. of persons (thous.)	5,611	5,581	5,423	5,736	5,701	5,541	110.2	109.5	106.4
Initial claims for unemployment benefits	98,020	107,352	130,564	118,189	107,992	128,696	82.5	75.4	89.9

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1986		1985		
	Mar	*Apr*	*Apr*	*Month Ago*	*Year Ago*
U.S. city average	326.0	325.3	320.1	−0.2	+1.6
Philadelphia	319.1	317.8	312.4	−0.4	+1.7
Pittsburgh	n.a.	328.1	324.3	n.a.	+1.2
Northeast PA	309.3	n.a.	304.9†	n.a.	+1.4

NOTES: Data on employment, payrolls and hours have been revised to first quarter 1985 benchmarks.
[1] Total includes workers on strike. * = figure revised † = figure for March 1984 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY COLLEGE OF BUSINESS ADMINISTRATION

cent trends in total employment and unemployment have, for the most part, been fairly positive, patterns in Pennsylvania's nonagricultural establishments have not been so encouraging. This is another indication that overall economic growth is being held back by manufacturing.

Two of the three components of the leading index, initial claims for unemployment insurance and residential construction contracts, improved. The third, average weekly hours worked in manufacturing, was unchanged. Initial claims for unemployment insurance is a good indicator of future trends in the number of unemployed. April's decline is the third consecutive drop and suggests that a reduction in the number of unemployed in the future is possible.

The value of residential construction contract awards rose a seasonally adjusted 19.8 percent during the month to $382.8 million, well above last year's $259.1 million, as declining mortgage rates had a positive impact. However, the increase was not strong enough to offset losses in the nonresidential building and nonbuilding categories as total construction contract awards fell 2.5 percent to a seasonally adjusted $749.2 million. Still, this represents quite an improvement over April 1985's $551.5 million in permits.

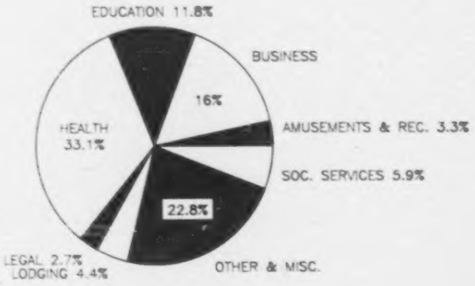
Recent behavior in the average factory workweek, which currently stands at a seasonally adjusted 40.2 hours, fails to signal any improvement in hiring activity. Usually, the workweek rises prior to an increase in hiring trends. However, **the workweek has increased only once so far this year and is only slightly higher than a year ago.**

Inflation, as represented by trends in the consumer price index, appears to be under control in the nation as a whole,

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
September 1985	106.4	86.5	0.5	−0.1
October	106.0	86.3	−0.4	−0.2
November	105.7	85.2	−0.3	−1.3
December	107.1	86.6	1.3	1.6
January 1986	106.7	86.7	−0.4	0.1
February	106.5	86.4	−0.2	−0.3
March	107.2	86.8	0.7	0.5
April	108.0	86.7	0.7	−0.1

1985 SERVICE SECTOR JOBS DISTRIBUTION, PENNSYLVANIA



SOURCE: PA OFFICE OF EMP. SEC., DEPT. OF LABOR AND INDUSTRY

largely due to declines in oil prices. This is welcome news for consumers in that it stretches buying power. It also exerts downward pressure on interest rates as expectations of future inflation are reduced.

All told, April's trends suggest that **Pennsylvania's economy, because of an on-going pattern of one-sided growth favoring the nonmanufacturing sector, will have a hard time stringing together several months of healthy economic activity.** The construction and services industries will probably be strong enough to push overall economic growth along at an average pace, but without help from manufacturing, that is about all we can hope for.

— *William D. Anderson*

Personal Income Report

Personal income trends in Pennsylvania during 1985 were very similar to those in the other major economic indicators: some growth, albeit less than in the nation. At $153.8 billion, Pennsylvania personal income stood 5.1 percent higher than in 1984, while nationally, the increase was 6.3 percent. In fact, Pennsylvania fell short of national growth rates in each of the three components of personal income: net labor and proprietors income; dividends, interest and rent; and transfer payments.

Total nonfarm earnings growth in the Commonwealth, at 5.6 percent, trailed national growth by 1.6 percentage points. Much of the shortfall was due to sluggishness in manufacturing, particularly in durable goods. Relatively poor performances were also reported in the mining, transportation and public utilities, trade, finance, and government industry groupings. Pennsylvania did manage to outperform the nation in four industry groups: agricultural services, construction, nondurable goods manufacturing, and services.

Much is being made of the on-going shift towards a services-based economy, away from one than is manufacturing-based. This shift is evident in earnings distributions. Between 1975 and 1985, the share of nonfarm earnings accounted for by the services industries rose 7.1 percentage points to 23 percent (see chart) in Pennsylvania. At the same time, the shares of durable and nondurable goods manufacturing fell 5.3 and 0.4 percentage points, respectively.

Much is also being made of a pending considerable drop in standards of living as we continue this structural shift. However, an examination of the evidence does not point towards a significant fall. For instance, while services accounted for 23 percent of earnings in Pennsylvania in 1985, they accounted for 24.7 percent of nonagricultural employment. Finance-related industries had shares of 6 (earnings) and 5.5 (employment) percent. These figures suggest that earnings in these two industry groups are very close to "average." The trade industries, however, do appear to be relatively low paying. While they account for 22.6 percent

1985 Personal Income by Major Source, Pennsylvania and the United States
(Millions of Dollars)

	Pennsylvania		U.S.
	1985	Pct. Chg. From 1984	Pct. Chg. From 1984
Labor and proprietors income by place of work	106,856	5.5	7.0
By type			
Wage and salary disbursements	88,725	5.1	6.9
Other labor income	10,951	6.7	8.4
Proprietors income	7,180	8.2	7.2
By industry			
Farm	777	−4.5	−2.0
Nonfarm	106,080	5.6	7.2
Private	91,747	5.8	7.2
Ag. serv., for., fish., and other	306	15.5	15.4
Mining	1,337	−3.0	2.7
Construction	5,438	9.3	9.1
Manufacturing	29,881	1.7	4.4
Nondurable goods	11,104	3.9	3.6
Durable goods	18,777	0.4	4.8
Transportation and public utilities	7,818	3.4	5.5
Wholesale trade	6,626	6.5	8.3
Retail trade	9,681	5.4	6.5
Finance, insurance, and real estate	6,360	8.2	8.5
Services	24,302	11.0	10.5
Government	14,333	4.4	7.0
Federal, civilian	3,660	3.9	6.1
Federal, military	550	−2.1	5.6
State and local	10,123	5.0	7.6
Total personal income	153,791	5.1	6.3
Nonfarm personal income	153,014	5.2	6.4
Net labor proprietors income[1]	99,059	5.2	6.6
Dividends, interest and rent	28,100	4.2	4.8
Transfer payments	26,631	6.0	6.8

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, April 1986.

[1] **Total earnings by place of work less personal contributions for social insurance and plus an adjustment for residence.**

of all jobs, they account for just 15.4 percent of earnings. Manufacturing, on the other hand, accounts for 23 percent of all jobs and 28.3 percent of all earnings. Hence, jobs in the services-related industries are generally lower paying than in manufacturing, but except for trade, they do appear to offer, at least, close to "average" earnings. Therefore, the drop in standards of living as economic activity shifts towards these industries will probably not be major.

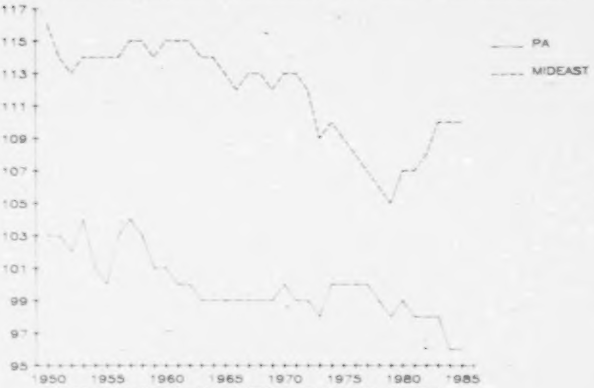
The Commonwealth also comes up short of national norms when personal income on a per capita basis (PCPI) is examined. At $12,959, PCPI in Pennsylvania in 1985 was only 96 percent of the nation's average. Furthermore, the State's relative standing appears to be worsening. Throughout much of the 1950s, PCPI in Pennsylvania was well above the national average. As late as 1977, it was equal to the nation's.

Additionally, the Commonwealth's standing relative to the rest of the Mideast region (Delaware, District of Columbia, Maryland, New Jersey, and New York) is worsening (see chart). While the gap narrowed throughout the 1970s, since then, it has widened. At $14,844, PCPI in the Mideast region was 110 percent of the national average in 1985.

Personal income data for the various metropolitan areas around the State is only available through 1984. During 1984, almost all regions in the eastern half of the State managed to surpass the Commonwealth's 7.8 percent growth rate, while nearly all regions in the western portion of Pennsylvania failed to perform up to these standards. In fact, of the seven fastest growing regions (in terms of personal income), six were in the eastern half of the State. The situation is quite similar when per capita trends are examined. Of the seven regions with the highest levels of PCPI, six were from the eastern half of the Commonwealth.

— William D. Anderson

PER CAPITA PERSONAL INCOME AS A PERCENTAGE OF THE NATIONAL AVERAGE, PA AND THE MIDEAST



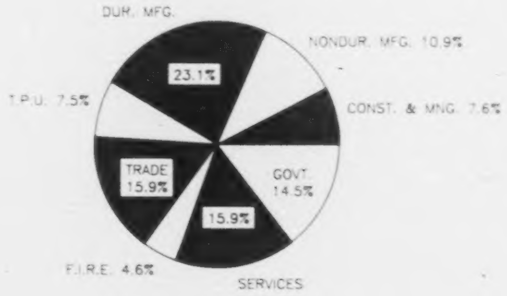
SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF ECON. ANALYSIS

1984 Total and Per Capita Personal Income, Pennsylvania Metropolitan Areas

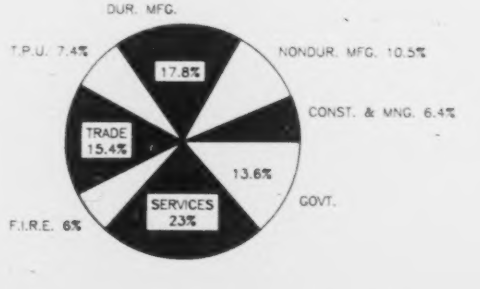
	Total Personal Income (Millions of Dollars)		Per Capita Income	
	1984	Pct. Chg. from 1983	1984	Pct. of Natl. Ave. 1984
Allentown-Bethlehem	8,494	9.0	13,134	103
Altoona	1,277	6.5	9,501	74
Beaver County	2,143	4.2	10,758	84
Erie	3,142	8.1	11,136	87
Harrisburg-Lebanon-Carlisle	7,267	8.9	12,743	100
Johnstown	2,550	5.9	9,847	77
Lancaster	4,722	10.9	12,382	97
Philadelphia	65,547	8.7	13,746	108
Pittsburgh	27,551	5.7	12,680	99
Reading	4,253	9.7	13,407	105
Scranton-Wilkes-Barre	7,858	6.7	10,812	85
Sharon	1,295	6.9	10,187	80
State College	1,120	9.5	9,786	77
Williamsport	1,233	7.8	10,527	82
York	4,616	9.7	11,793	92

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, April 1986.

PENNSYLVANIA NONFARM EARNINGS DISTRIBUTIONS, 1975 AND 1985
(by place of work, percent)



1975



1985

SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF ECON. ANALYSIS

Historical Educational Attainment Trends In Pennsylvania

All available data suggest that educational attainment levels in the Commonwealth fall short of national norms. Census data for the 1940-1980 period, presented in Table 1, illustrate this point. Over the period, a larger portion of the Pennsylvania population at least 25 years old ended their formal education without advancing beyond the eighth grade compared to the nation as a whole. However, the difference between Pennsylvania and the U.S. narrowed considerably over time. As of the 1940 Census, 65 percent of the Pennsylvania population had not advanced beyond the eighth grade compared to 60.4 percent in the nation, a difference of 4.6 percentage points. By 1980, the comparable figures were 18.4 percent in the Commonwealth and 18.3 percent in the nation, a difference of just 0.1 percentage point.

Data from the annual educational attainment surveys conducted since 1980 as part of the *Current Population Survey* indicate further improvements in both Pennsylvania and the U.S. However, the gap has widened between Pennsylvania and the nation since 1980. As of 1984, 15 percent of Pennsylvanians had not completed any formal education beyond the eighth grade versus 14.3 percent nationally, a difference of 0.7 percentage point. In that the *CPS* figures are subject to a larger sampling error, they are less reliable than the Census data.

As further evidence of Pennsylvania's relatively low educational attainment levels, the Census results show that, except for 1940, a larger portion of the State's population had entered, but failed to complete, high school and a larger portion had ended their formal education after obtaining a high school diploma compared to the U.S. The Commonwealth's standing relative to the nation has deteriorated over time. By 1980, 16.9 percent of Pennsylvanians at least 25 years old had completed just 1-3 years of high school compared to 15.3 percent nationally, a difference of 1.6 percentage points. The less reliable *CPS* figures from later years show no improvement in the Commonwealth's relative standing.

Similarly, 34.6 percent of the nation's population in 1980 ended their formal education after graduating from high school compared to 40.4 percent in Pennsylvania for a difference of 5.8 percentage points. Again, no improvement is apparent in the *CPS* data.

Given these trends, it is certainly not surprising that the number of Pennsylvanians with 1-3 years of college or with four or more years has remained considerably below national standards over the period. Additionally, the Commonwealth's relative standing has worsened.

Four percent of the Pennsylvania population had 1-3 years of college according to the 1940 Census, 1.5 percentage points below the nation's 5.5 percent. As of 1980, this gap had widened to 5 percentage points (10.7 percent in Pennsylvania and 15.7 percent in the U.S.). The situation is quite similar when looking at the percentage of the population with

Table 1: Years of School Completed
(percentage of the population over 25 years of age)

United States

		High School		College	
	Elementary	1-3	4	1-3	4+
1940	60.4	15.2	14.3	5.5	4.6
1950	48.3	17.4	20.8	7.4	6.2
1960	39.7	19.2	24.6	8.8	7.7
1970	28.3	19.4	31.1	10.6	10.7
1980	18.3	15.3	34.6	15.7	16.2
1981	16.7	13.6	37.6	15.1	17.1
1982	15.8	13.3	37.9	15.3	17.7
1983	15.1	12.8	37.7	15.6	18.8
1984	14.3	12.4	38.4	15.8	19.1

Pennsylvania

		High School		College	
	Elementary	1-3	4	1-3	4+
1940	65.0	13.7	13.0	4.0	4.2
1950	50.5	17.5	21.5	5.0	5.5
1960	42.0	19.8	25.5	6.2	6.4
1970	29.2	20.6	34.5	7.0	8.7
1980	18.4	16.9	40.4	10.7	13.6
1981	n.a.	n.a.	n.a.	n.a.	14.6
1982	16.6	15.6	44.8	9.0	14.0
1983	16.4	14.8	44.1	9.2	15.5
1984	15.0	14.7	45.5	9.8	15.1

Source: U.S. Dept. of Commerce, Bureau of the Census
(1982-1984 data is unpublished)

at least four years of college. Pennsylvania fell short of national standards by just 0.4 percentage point in 1940, but by 2.6 points in 1980.

The *CPS* figures show further increases in both statistics at the state and national levels. However, they also show that Pennsylvania's standing relative to the U.S. has probably continued to decline.

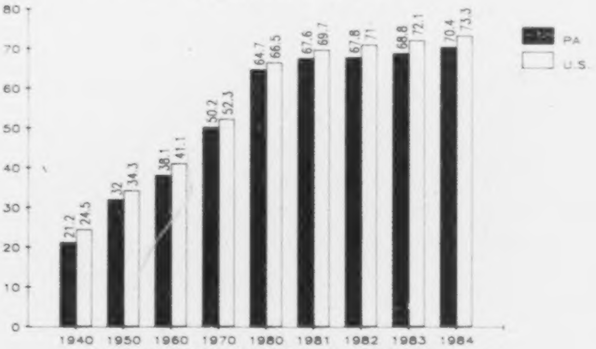
Figures 1 and 2 offer further evidence that Pennsylvania lags the nation in terms of educational attainment. Figure 1 shows the percentage of the population in Pennsylvania and the U.S. with high school diplomas. Census data over the 1940-1980 period show that this measure of educational attainment rose consistently in both the Commonwealth and the nation.

However, Pennsylvania trailed the nation in all five Census years. The shortfall ranged from 1.8 percentage points in 1980 to 3.3 points in 1940. As of 1980, 64.7 percent of the Pennsylvania population were high school graduates compared to 66.5 percent in the nation.

CPS data over the 1981-1984 period show that the upward trend in this measure of educational attainment levels continued. At the same time, the data fail to signal any improvement in the Commonwealth's relative standing.

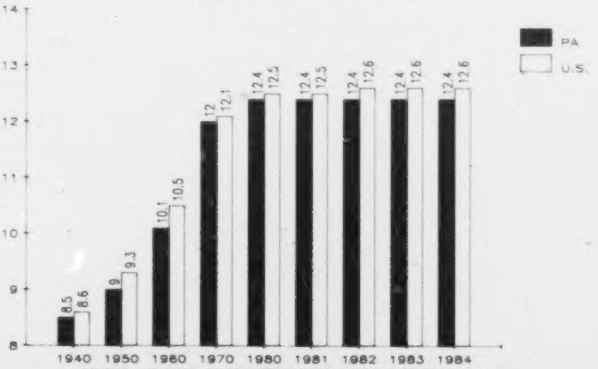
Figure 2 shows the median years of school completed in Pennsylvania and the U.S. Again, it is apparent that this measure of educational attainment has been on the rise in both Pennsylvania and the U.S. It is also apparent that Pennsylvania has consistently lagged the U.S. However, data from the 1970 and 1980 Censuses and from the *CPS* surveys suggest that the difference between the Commonwealth and the nation is quite small.

Figure 1
HIGH SCHOOL GRADUATES
AS A PERCENTAGE OF THE POPULATION
(ages 25 and up)



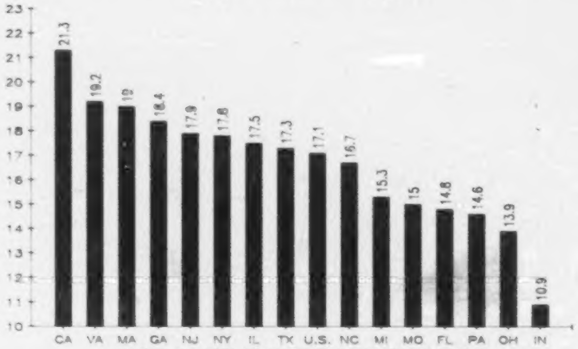
SOURCE: U.S. DEPT. OF COMMERCE, BUREAU OF THE CENSUS

Figure 2
MEDIAN YEARS OF SCHOOL COMPLETED
(ages 25 and up)



SOURCE: U.S. DEPT. OF COMMERCE, BUREAU OF THE CENSUS

Figure 3
COLLEGE GRADUATES AS A PERCENTAGE OF THE
POPULATION OF THE 15 LARGEST STATES, 1981
(ages 25 and up)



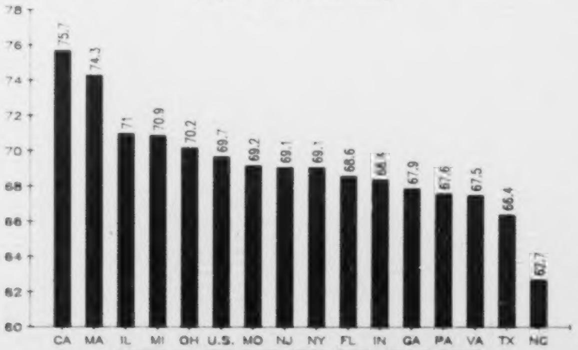
SOURCE: U.S. DEPT. OF COMMERCE, BUREAU OF THE CENSUS

When it comes to competing for jobs and new businesses, Pennsylvania often finds itself going up against other large (in terms of population), heavily industrialized states. Figures 3, 4, and 5 show how the Commonwealth compares with the 14 other large states covered by the *CPS* educational attainment data in 1981 (the last year for which data are published).

Figure 3 shows the percentage of the population at least 25 years old with college degrees in each of the 15 largest states in 1981. Pennsylvania ranks 13th with 14.6 percent of the population holding degrees. The only states with lower measures are Ohio and Indiana. The two other states in the Mid-Atlantic region, New Jersey and New York, rank fifth and sixth, respectively.

The percentage of the population with at least a high school diploma in the 15 largest states in 1981 is shown in Figure 4. The Commonwealth ranked 12th with 67.6 percent of its population holding high school diplomas. Only Virginia,

Figure 4
HIGH SCHOOL GRADUATES AS A PERCENTAGE OF THE
POPULATION OF THE 15 LARGEST STATES, 1981
(ages 25 and up)



SOURCE: U.S. DEPT. OF COMMERCE, BUREAU OF THE CENSUS

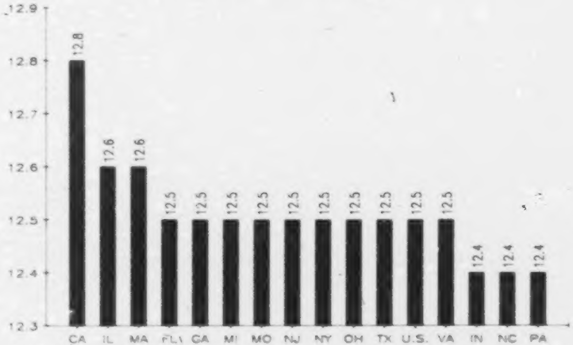
Texas, and North Carolina had smaller representations of high school graduates in their populations. New Jersey and New York ranked seventh and eighth, respectively.

Figure 5 shows the median years of school completed in each of the 15 largest states in 1981. With a median of 12.4 years, Pennsylvania was tied for last, along with Indiana and North Carolina. With a median of 12.5 years, New Jersey and New York ended up in the middle of the pack.

— *William D. Anderson*

(This is a brief summary of a paper dealing with educational attainment levels in Pennsylvania over the 1940-1984 period. The availability of the paper will be anounced in an upcoming issue of the Survey.*)*

Figure 5
MEDIAN YEARS OF SCHOOL COMPLETED
FOR THE 15 LARGEST STATES, 1981
(ages 25 and up)



SOURCE: U.S. DEPT. OF COMMERCE, BUREAU OF THE CENSUS

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PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University July 1986

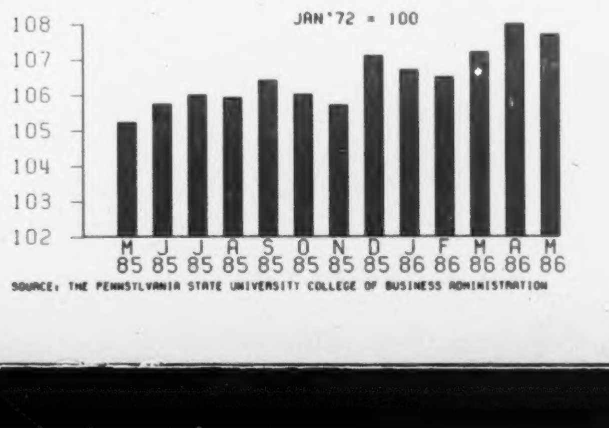
PENNSYLVANIA FOLLOWS NATIONAL TRENDS

Trends in the Pennsylvania economy appear to be mirroring those at the national level where the expected **benefits resulting from the falling dollar, low interest rates, and minimal inflationary pressures have yet to materialize.** It had been widely believed that the combination of these three factors would provide a kick to the economy about mid-year. Indeed, the economy appeared to be gearing up for a surge in activity during the first few months of this year. However, economic signals since then cast a fair amount of doubt over such a rebound. Still, there are **no signals of any significant downturn in economic activity at the State or national levels.**

Evidence of this recent slowing in Pennsylvania is found in the behavior of the employment and unemployment statistics as of late. Employment of the Commonwealth's residents rose to a record-high each month during the January-March period in surpassing the 5.3 million mark. Since then, **employment has declined two consecutive months, settling at a seasonally adjusted 5.24 million in May.** This represents a decline of 59,000 from April. This is, however, the third highest level on record and employment has remained above year-ago readings every month since December.

These same trends are evident on the unemployment front. **During this year's first quarter, the number of Pennsylvania residents counted as unemployed was the lowest since 1980, dipping below 400,000 in February. As of May, unemployment had increased to approximately 450,000.** Again, a comparison with a year ago shows improvement in the State's unemployment picture throughout the first five months of this year.

Given these trends, May's 0.8 percentage point increase in the jobless rate, to 7.9 percent after adjustment for normal seasonal variations is not surprising. This represents the largest one-month increase in nearly two years. Overall, though, **the behavior of employment and unemployment, despite some recent sluggishness, does suggest that Pennsylvania is on a moderate growth trend.** In fact, as the accompanying set of charts indicates, Pennsylvania has shown considerable improvement since the recession bottomed out around late 1982. Increases have been registered in employment and the labor force, while unemployment has nosedived.



PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS

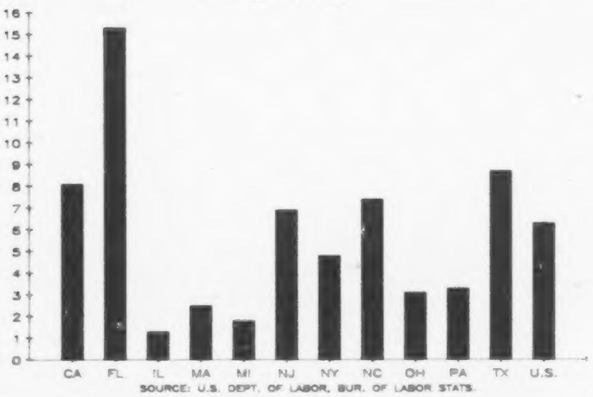
SOURCE: THE PENNSYLVANIA STATE UNIVERSITY COLLEGE OF BUSINESS ADMINISTRATION

The State has turned in a mixed performance relative to the nation since the recession ended and our performance relative to the ten other large states with comparable data is average at best. Employment advanced by 7.3 percent in Pennsylvania between 1982 and the January-May 1986 period compared to the nation's 9.4 percent advance. Pennslvania's increase surpassed that in four of the ten other large states. Much of the same is true when labor force growth is examined. The situation is somewhat brighter on the unemployment front, where the decline in both the number of unemployed and in the jobless rate was stronger in Pennsylvania than in the nation as a whole.

As has been the case throughout much of the past two years, the nonmanufacturing sector fueled the Pennsylvania economy during May. Normally, about 23,000 jobs are generated in the sector during May due to seasonal patterns. Nearly 39,000 jobs were created this May, resulting in a seasonally adjusted or "larger-than-normal" gain of 16,000. This 16*th* consecutive advance left sectoral job levels at a record-high 3.75 million. **Since 1983, jobs in Pennsylvania nonmanufacturing establishments have declined in only four months.**

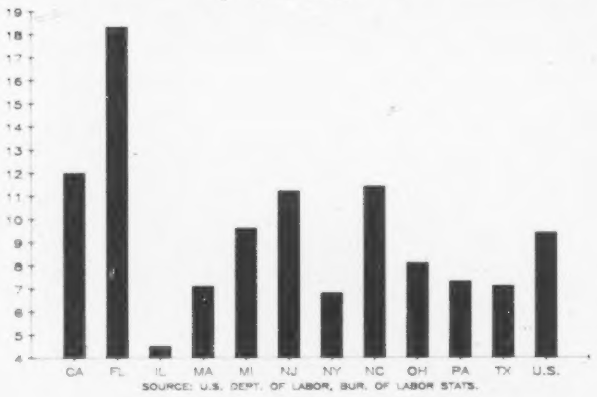
Although the service-producing industries, such as trade, finance, and services, have accounted for the majority of new jobs created recently, the construction industry has also made a considerable contribution. **So far this year, jobs in the State's construction industry have averaged nearly 180,000 each month, a gain of 7.5 percent from a year ago.** A good deal of the improvement is attributable to a surge in residential construction activity brought on by the lowest mortgage rates of the decade. However, the contribution of the other construction categories, nonresidential building and nonbuilding, to economic growth has been overlooked. Despite uncertainty over the future tax treatment of various kinds of construction projects, contract values for future construction in both of these categories is up considerably from a year ago. Specifically, on a year-to-date basis, nonresidential building contract values rose 17.2 percent during the first five months of this year compared to a year ago. Nonbuilding contract values rose a strong 60.3 percent over the same period. The apparent increase in nonbuilding construction ac-

LABOR FORCE GROWTH RATES FOR THE
11 LARGEST STATES, 1982 TO 1986 YTD
(percent)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

EMPLOYMENT GROWTH RATES FOR THE
11 LARGEST STATES, 1982 TO 1986 YTD
(percent)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

tivity is an encouraging sign since it will result in improvements in the State's infrastructure (transportation networks, water systems, etc.) which will be a plus for economic development efforts. Residential construction contract values are up 28.3 percent from a year ago despite a sluggish May.

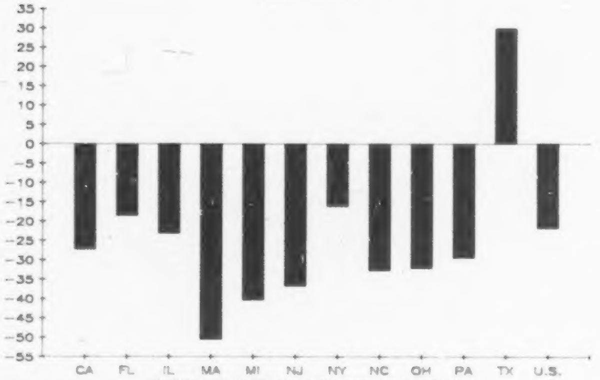
Unfortunately, **the situation in manufacturing remains on the downside.** Job levels in the sector declined for the fourth straight month and for the 20*th* time in the last 24 months. During May, job levels fell 3,800 or 0.4 percent after seasonal adjustment to a record-low 1.05 million. The

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1986		1985	1986		1985	1986		1985
	Apr	*May*	*May*	*Apr*	*May*	*May*	*Apr*	*May*	*May*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,791*	4,830	4,749	4,791	4,804	4,721	105.0*	105.2	103.4
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,736*	3,775	3,650	3,739	3,754	3,629	116.0	116.5	112.6
Manufacturing									
No. of wage and salary jobs (thous.)	1,052*	1,052	1,096	1,053	1,049	1,093	78.5	78.2	81.4
Ave. wkly. hrs. worked by prod. workers	40.0	40.0	39.6	40.2	40.1	39.7	101.6	101.4	100.4
Total wkly. person-hours worked (mils.)	28.5*	28.5	29.5	28.6*	28.5	29.5	74.5	74.2	76.8
Total wkly. payroll (mil. dols.)	276.5*	277.5	281.7	278.2*	277.2	281.6	123.8*	123.4	125.3
Steel production (thous. tons)	1,067	1,015	1,077	n.a.	n.a.	n.a.	41.4	42.2	44.8
Industrial electric power sales (mil. kwh)	3,433	3,438	3,472	3,416	3,487	3,527	92.5	94.4	95.5
Mining									
Anthracite coal (thous. net tons)	300	294	335	375	305	341	76.7	62.4	69.8
Bituminous coal (thous. net tons)	5,457	n.a.	5,404†	5,463	n.a.	5,394†	77.5	n.a.	76.5†
Construction contracts awarded (mil. dols.)									
Total	884.8	812.7	740.4*	749.2	800.1	734.5*	232.9	248.7	228.3*
Residential building	434.7	427.9	323.3*	382.8	336.7	246.4*	272.0	239.2	175.0*
Nonresidential building	242.4	206.4	297.5*	213.9	303.5	389.8*	197.2	279.8	359.3*
Nonbuilding (utilities and public works)	207.8	178.4	119.6*	152.5	159.9	98.3*	210.4	220.6	135.6*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,189	5,204	5,015	5,300	5,241	5,052	110.3	109.1	105.1
Unemployed									
No. of persons (thous.)	392	433	458	401	451	476	99.9	112.4	118.8
Rate (percentage of labor force)	7.0	7.7	8.4						
Rate, seasonally adjusted				7.1	7.9	8.6			
Civilian labor force, no. of persons (thous.)	5,581	5,637	5,473	5,701	5,692	5,528	109.5	109.3	106.2
Initial claims for unemployment benefits	107,352	89,903	106,406	107,992	109,980	125,511	75.4	76.8	87.7

Consumer Prices, all Items	Urban Indexes (1967 = 100)			Percentage Change	
	1986		1985		
	Apr	*May*	*May*	*Month Ago*	*Year Ago*
U.S. city average	325.3	326.3	321.3	+0.3	+1.6
Philadelphia	317.8	318.9	314.2	+0.3	+1.5
Pittsburgh	328.1	n.a.	324.3	n.a.	+1.2
Northeast PA	n.a.	309.2	306.0†	n.a.	+1.0

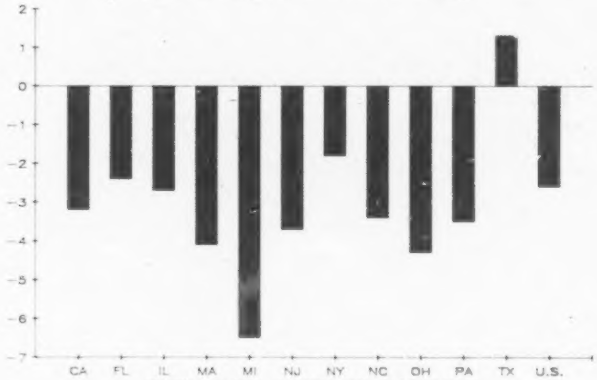
NOTES: Data on employment, payrolls and hours have been revised to first quarter 1985 benchmarks.
[1] Total includes workers on strike. * = figure revised † = figure for April 1984 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

NUMBER OF UNEMPLOYED GROWTH RATES FOR THE 11 LARGEST STATES, 1982 TO 1986 YTD
(percent)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

UNEMPLOYMENT RATE CHANGES FOR THE 11 LARGEST STATES, 1982 TO 1986 YTD
(percentage point difference)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

State's durable goods industries have been especially hard-hit. For instance, despite some improvement in May, so far this year, steel output in Pennsylvania is down about 7.8 percent from a year-ago. The State's share of domestic output has dipped from 13.8 percent during all of 1985 to 13.4 percent so far this year. In the early- to mid-1970s, the primary metals industry accounted for about one job in every 20 in Pennsylvania with numerous other jobs indirectly dependent on the industry (see chart). Since then, the relative importance of the industry has dropped continuously so that as of 1985, it accounted for slightly more than two percent of all jobs. Problems in this and other heavy manufacturing industries have certainly held back economic growth in the Commonwealth. However, **despite the fact that thousands of individuals are adversely affected in the short-run as Pennsylvania diversifies away from these industries, the economy may benefit in the long-run as it becomes more "recession-resistant."**

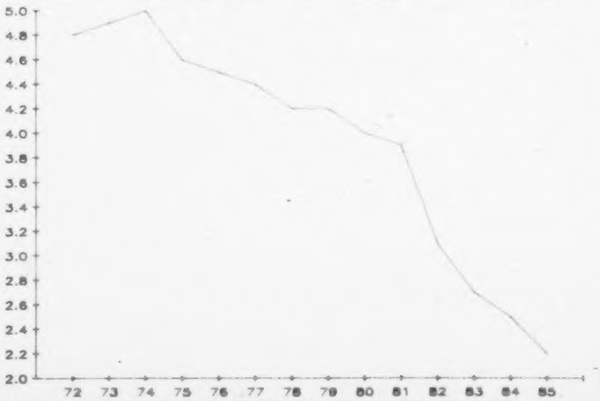
There really is not any good news coming from the manufacturing sector. Average weekly hours and total hours worked both fell during May as did weekly payrolls. A slight increase in electricity sales to industry occurred, but they were still below a year ago. Uncertainty over future tax policy as it relates to manufacturers could further dampen activity in the short-run.

Inflation remains under control, although the best news appears to be behind us. A major monetary policy issue concerns the willingness of the Federal Reserve to push interest rates lower in the face of a rapidly expanding money supply. While a reduction in borowing costs may be what the economy needs to get moving again, some fear that it will quicken money supply growth and lead to more inflation.

The behavior of the coincident and leading indexes over the last several months tends to indicate that the Pennsylvania economy has remained, and will to continue to remain, in a moderate growth scenario. So far this year, the coincident index, which rises and falls with economic activity, has increased two months and declined in three, including a 0.6 percent fall in May, the second consecutive decline. The leading index also increased twice, in March and April, before registering its third decline, 0.3 percent, in May.

— *William D. Anderson*

PA PRIMARY METALS JOBS AS A PERCENTAGE OF ALL NONAGRICULTURAL JOBS, 1972--1985



SOURCE: PA OFFICE OF EMP. SEC., DEPT. OF LABOR AND INDUSTRY

Announcing . . .

A 32-page study, "Job Growth by Establishment Size in Pennsylvania: Some Preliminary Findings for the 1974-1983 Period," is now available from the College of Business Administration's Center for Regional Business Analysis. Originally summarized in the April issue of the *Survey*, this study analyzes trends in several Pennsylvania industries in examining the relative importance of small vs. large firms as engines of job growth. It is currently available, free of charge, by writing to: The Pennsylvania State University, College of Business Administration, Center for Regional Business Analysis, 108 BAB II, University Park, PA 16802.

This is the first study released as part of the *Pennsylvania Economic Studies* series. Additional studies will be announced as relevant research results become available.

Retail Sales Report

While there are concerns nationally regarding the strength of consumer spending, the situation appears somewhat brighter in Pennsylvania based upon retail sales data for this year's first quarter. Relative to last year's first quarter, retail sales were up nearly ten percent this year to $14.9 billion. This comes on the heels of a 6.8 percent annual gain during the previous quarter. Nationally, retail sales rose slightly over five percent over the 1985:IQ-1986:IQ period following a 5.3 percent gain during the year ending with 1985's fourth quarter.

Certainly, consumer buying power has been bolstered as of late by lower energy prices and stock market gains. However, gains in wages and salaries are the main driving forces behind retail sales growth. If employment continues to behave sluggishly, as it has the past two months in Pennsylvania, wage and salary gains may not be strong enough to maintain the current pace of consumer spending.

Pennsylvania retail sales (millions of dollars)

	Retail sales	Pct. change from yr. ago
1986:IQ	14,940	9.9
1985:IVQ	17,728	6.8

Source: U.S. Dept. of Commerce, Bureau of the Census

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PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **August 1986**

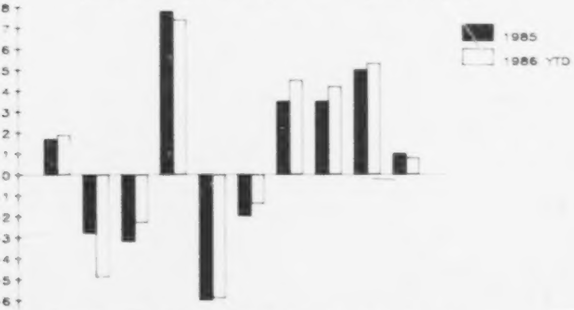
ECONOMY ENDS FIRST HALF SLUGGISHLY

The Pennsylvania economy, like that in the nation, appears to have closed the books on the first half of this year on the downside. **A problem national in scope, a stubbornly high foreign trade deficit, is certainly a major contributing factor to the current sluggishness.** The end result of the trade imbalance is idle capacity and weak employment growth. It is doubtful that the recent one-half point reduction in the discount rate, the interest rate charged to member institutions when they borrow from the Federal Reserve, will do much to boost domestic economic activity given the high level of unused capacity. Another factor acting to minimize the impact of such stimulative economic policy is that a good portion of increased expenditures resulting from the action will be siphoned abroad.

Manufacturing is hurt the most by the trade imbalance since these industries are the most susceptible to foreign competition. In Pennsylvania, job levels in the sector have been on the decline almost continuously for the past two years. At a seasonally adjusted 1.05 million in June, the number of manufacturing jobs stood at a record-low for the ninth time in the past 11 months.

However, the decline of 1,000 from May is the smallest in several months. Other indicators also suggest a very slight easing in manufacturing's difficulties during June. The average factory workweek held steady at 40.1 hours after adjustment for normal seasonal variations, leaving it slightly above a year ago. Increases were recorded in total hours worked, factory payrolls, and in electricity sales to industry, a good barometer of industrial production. On the other hand, output from the Commonwealth's steel mills fell from 29,800 to 27,900 tons per day, the lowest level since early 1983.

PA NONAGRICULTURAL JOB GROWTH, 1985 AND 1986 YTD
(percentage change from year ago)



SOURCE: PA OFFICE OF EMP. SEC., DEPT. OF LABOR AND INDUSTRY

In sum, **although manufacturing continued to slump in in June, there are signs of some life in the sector although a considerable rebound is essentially out of the question.** Keep in mind, however, that we were getting these same signals at the end of last year, signals which proved to be premature as manufacturing remained in the doldrums throughout the first half of 1986.

Nonmanufacturing, on the other hand, continues to operate at a record-setting pace. After seasonal adjustment, job levels in these industries, at 3.77 million, stood at a record-high for the 31*st* time in the past 33 months. This is certainly quite an accomplishment, but questions remain as to how long this record-setting pace can be maintained in nonmanufacturing in the face of manufacturing's difficulties.

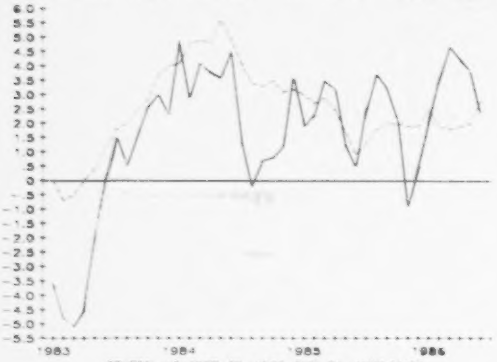
Recent issues of the *Survey* have detailed expectations of moderate growth in the Pennsylvania economy. Indeed, job trends in the Commonwealth's nonagricultural industries during the first six months of this year provide an overall picture of this type of moderate growth. Total establishment-related jobs rose 1.9 percent during this year's first half relative to the same period in 1985, essentially unchanged from a 1.7 percent annual growth rate during all of last year (see chart). **It is apparent that growth is being held back by goods-producing industries, such as manufacturing and mining, while service-producing industries continue to drive the economy.** In nearly all industries, job growth so far this year is quite similar to last year. The lone exception is durable goods manufacturing, where the situation worsened from a 2.8 percent decline last year to a 4.9 percent fall so far this year.

On the surface, June's decline in the jobless rate in Pennsylvania, from a seasonally adjusted 7.9 percent to 6.5 percent, suggests a healthy economy. However, the fall was not the result of any positive news on the employment/unemployment front. In fact, **employment fell for the third straight month after seasonal adjustment.** Normally during June, about 87,000 jobs are generated in the State strictly for seasonal reasons. This year, however, only 56,000 jobs were created. This less-than-normal gain resulted in a seasonally adjusted decline of approximately 30,000 to 5.21 million.

Therefore, the decline in the jobless rate is not the result of the State's unemployed residents gaining employment, but rather is attributable to a reduction in the workforce. All told, the labor force fell by a seasonally adjusted 112,000, made up of the 30,000 fall in employment and a drop in the number of unemployed of about 81,000. This left the number of residents counted as unemployed at 370,000.

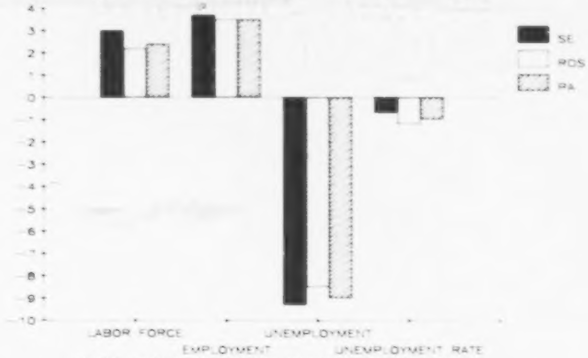
The accompanying chart provides some interesting insight

EMPLOYMENT GROWTH RATES DURING THE CURRENT ECONOMIC RECOVERY, PA AND THE U.S.
(percentage change from year ago month)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

LABOR FORCE, EMPL., AND UNEMPL. GROWTH RATES FOR SE PA AND THE REST OF THE STATE, 1986 YTD
(percentage change from year ago)



SOURCE: PA OFFICE OF EMP. SEC., DEPT. OF LABOR AND INDUSTRY

into the behavior of employment growth in Pennsylvania relative to the U.S. since the current economic recovery began around the beginning of 1983. During most of the first two years of expansion, employment growth in the nation was higher than that in Pennsylvania. However, since around the beginning of 1985, there have been three periods during which the Commonwealth maintained higher levels of employment growth than the nation. The most recent period

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1986		1985	1986		1985	1986		1985
	May	*June*	*June*	*May*	*June*	*June*	*May*	*June*	*June*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,831*	4,861	4,769	4,804	4,814	4,727	105.2	105.5	103.5
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,776*	3,795	3,666	3,756*	3,767	3,638	116.5	116.9	112.9
Manufacturing									
No. of wage and salary jobs (thous.)	1,052*	1,060	1,101	1,049*	1,048	1,089	78.1	78.1	81.1
Ave. wkly. hrs. worked by prod. workers	40.0	40.3	40.1	40.1	40.1	39.9	101.4	101.6	100.9
Total wkly. person-hours worked (mil.)	28.5*	29.0	30.0	28.4	28.5	29.5	74.1*	74.2	76.9
Total wkly. payroll (mil. dols.)	276.6*	281.3	287.6	276.4*	276.9	283.2	123.0*	123.2	126.1
Steel production (thous. tons)	1,021*	871	1,022	n.a.	n.a.	n.a.	42.4*	39.7	45.8
Industrial electric power sales (mil. kwh)	3,438	3,613	3,495	3,487	3,556	3,463	94.4	96.3	93.8
Mining									
Anthracite coal (thous. net tons)	294	297	420	305	287	423	62.4	58.8	86.6
Bituminous coal (thous. net tons)	4,918	n.a.	5,719†	4,785†	n.a.	5,440†	67.8	n.a.	77.1†
Construction contracts awarded (mil. dols.)									
Total	812.7	734.8	705.3*	800.1	551.8	532.1*	248.7	171.5	165.4*
Residential building	427.9	310.9	294.6*	336.7	224.6	224.8*	239.2	159.6	159.7*
Nonresidential building	206.4	229.7	167.7*	303.5	196.2	151.4*	279.8	180.9	139.6*
Nonbuilding (utilities and public works)	178.4	194.3	243.0*	159.9	131.0	155.9*	220.6	180.8	215.1*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,204	5,260	5,141	5,241	5,211	5,095	109.1	108.4	106.0
Unemployed									
No. of persons (thous.)	433	417	515	451	370	468	112.4	92.2	116.7
Rate (percentage of labor force)	7.7	7.3	9.1						
Rate, seasonally adjusted				7.9	6.5	8.3			
Civilian labor force, no. of persons (thous.)	5,637	5,676	5,656	5,692	5,580	5,563	109.3	107.2	106.8
Initial claims for unemployment benefits	89,903	99,708	105,741	109,980	108,506	122,049	76.8	75.8	85.2

Consumer Prices, all Items	Urban Indexes (1967 = 100)			Percentage Change	
	1986		1985		
	May	*June*	*June*	*Month Ago*	*Year Ago*
U.S. city average	326.3	327.9	322.3	+0.5	+1.7
Philadelphia	318.9	321.7	314.2	+0.9	+2.4
Pittsburgh	n.a.	328.6	325.9	n.a.	+0.8
Northeast PA	309.2	n.a.	306.0†	n.a.	+1.0

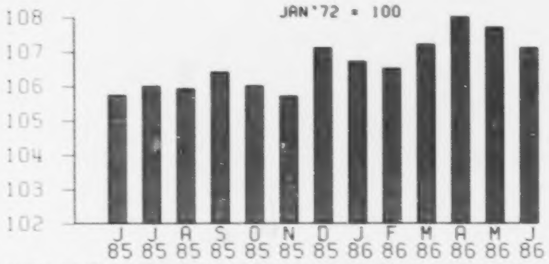
NOTES: Data on employment, payrolls and hours have been revised to first quarter 1985 benchmarks.
[1] Total includes workers on strike. * = figure revised † = figure for May 1985 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

covered the first five months of this year before ending in June. Hence, **it does appear that employment growth in Pennsylvania has improved relative to the U.S. in the later stages of the current recovery.**

There has been a considerable amount of discussion lately concerning the relative strength of the economy in the southeastern portion of the Commonwealth. Indeed, as the accompanying chart illustrates, the region has outperformed the rest of the State on the employment/unemployment front on a year-to-date basis (through June) compared to a year ago. Specifically, the average rate of increase in the labor force and employment in the five metropolitan areas in the region (Harrisburg-Lebanon-Carlisle, Lancaster, Philadelphia, Reading, and York) exceeds the average growth in the ten remaining metro areas around the State (ROS in the chart) and in the Commonwealth as a whole. The same is true for the decline in the number of unemployed. The relatively poor performance in terms of the percentage point decline in the jobless rate is somewhat misleading, since it is a result of the strong labor force growth.

Construction activity during June, as measured by the value of contracts awarded, was down 31 percent to $552 million as contract values were off in all three categories: residential building, nonresidential building, and nonbuilding. Still, so far this year, this measure of construction activity is up 27.5 percent from a year ago. Residential contract values fell for the second consecutive month. Again, however, contract values on a year-to-date basis are up considerably from last year. If an expected decline in mortgage rates occurs, it should give this sector an added boost in coming months.

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY COLLEGE OF BUSINESS ADMINISTRATION

Because of the decline in residential contract values, **the index of leading indicators for the Pennsylvania economy, which signals future economic trends, declined for the second consecutive month.** However, since the other two components of the index, the average workweek and initial claims for unemployment benefits, held their own, not too much should be read into this decline. **The index of coincident indicators, which moves in tandem with current economic trends, turned in its third straight slight decline.**

— *William D. Anderson*

Housing Permits Report

The State's housing industry appears to be enjoying a burst of activity based on housing permit authorizations during the second quarter. All told, 16,399 permits were authorized in Pennsylvania during the April-June period for a 12.6 percent gain from a year ago. This compares quite favorably with the nation's 7.4 percent advance and follows a rather lackluster first quarter. So far this year, the number of authorizations are up 8.2 percent in the Commonwealth compared to a 7.9 percent gain in the nation.

Low mortgage rates have certainly given the industry quite a boost, as evidenced by trends in the "single-unit" category. At 14,352, the number of single-unit houses authorized during the quarter was up 20.9 percent from last year after a strong 14 percent gain during the first three months of the year. A 19.1 percent gain was recorded at the national level during the second quarter. On a year-to-date basis, single-unit housing permit authorizations were up 18.6 percent in Pennsylvania during the first half of the year compared to a 15.4 percent gain nationally.

Pennsylvania Housing Units Authorized In Permit Issuing Places

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1986:IIQ	16,399	12.6	14,352	20.9
1986: IQ	7,856	−0.1	6,796	14.0
1986 YTD	24,255	8.2	21,148	18.6

Source: U.S. Dept. of Commerce, Bureau of the Census

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Around the State

Statewide trends during the second quarter were as follows:

The jobless rate fell 0.2 percentage points to its lowest level since 1980:IQ, a seasonally adjusted 7.2 percent, as the number of residents counted as unemployed dipped 11,500 or 2.7 percent. Employment stood at a record-high 5.25 million after adjustment, a gain of 28,400 or 0.5 percent from the January-March period. The State's labor force rose by 16,800 individuals. However, on a monthly basis, both employment and the labor force declined in each of the three months following a very strong showing in March.

-Nonagricultural job levels rose slightly as gains in nonmanufacturing offset losses in manufacturing. The increase in nonmanufacturing was the 14*th* consecutive advance and left job levels in the sector at a record-high 3.75 million after seasonal adjustment. Manufacturing establishments lost jobs for the eighth consecutive quarter. The seasonally adjusted 1.05 million jobs in the sector represent an all-time low.

-Both the average factory workweek and electricity sales to industry behaved sluggishly as a result of the weakness in manufacturing. The workweek, which usually rises before an increase in hiring trends, held steady at a seasonally adjusted 40.1 hours. Electricity sales, a good proxy for industrial production, rose a weak 1 percent during the quarter.

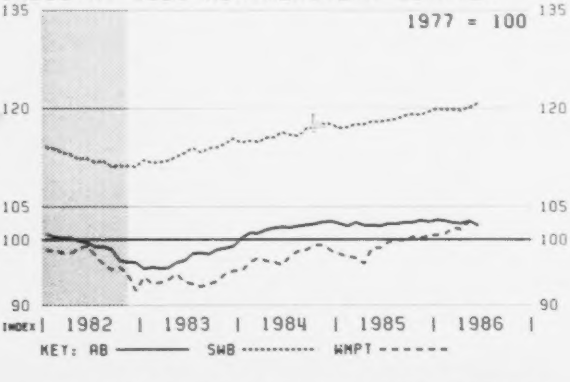
-The value of residential construction contracts rose a strong 26 percent on a year-to-date basis from a year ago. Nonresidential contract values were up 21.8 percent over the same period.

Northeastern Quarter

Allentown-Bethlehem-Easton

In part because the region's manufacturing industries remained weak, the jobless rate in the Allentown-Bethlehem metropolitan area during the second quarter, at a seasonally adjusted 8.3 percent, was the sixth highest among the State's 15 metro region. Manufacturing jobs registered their eighth consecutive quarterly decline, settling at an all-time low of 79,900 after seasonal adjustment.

INDUSTRY JOBS NORTHEASTERN QUARTER



SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

Allentown-Bethlehem Area[1]

	Ave. mo. value 2 Q '86	Average monthly index seas. adj. (1977 = 100) 2 Q '86	1 Q '86	2 Q '85
Employment *(in thousands)*				
Employed, no. of residents	293.3	107	107	106
Unemployed, no. of residents	26.7	127	129	123
Rate, seasonally adjusted	8.3			
Civilian labor force, no. of residents	320.1	108	109	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	264.1	102	103	102
Nonmfg. only, no. of jobs	183.8	123	122	117
Mfg. only, no. of jobs	80.3	74	77	82
Hrs. worked by production workers in mfg., *ave. weekly*	38.7	101	100	103
Industrial electric power sales				
Metropolitan area	...	107	103	108
Allentown	...	99	100	105
Bethlehem	...	114	107	115
Easton	...	102	98	92
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	135.7	+33		
Nonresidential contracts only	55.7	+ 5		

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

The situation in nonmanufacturing is quite different. Sectoral job levels rose a seasonally adjusted 1.1 percent in the quarter to an all-time high of 182,800. Jobs in these industries have not declined since 1982:IVQ. The gain during the first half of this year relative to a year ago, 5 percent, fares well compared to the State's 3.7 percent advance.

The slight decline in the jobless rate, from 8.4 to 8.3 percent after seasonal adjustment, is somewhat misleading. There was a minimal gain of 300 in the number of employed to an adjusted 293,900, a new record. Given a decline of 500 in the number of unemployed, this implies a net outflow of about 200-300 in the labor force. Hence, a portion of the decline in the unemployment rate is a result of a fall in the workforce.

So far this year, improvement in the employment/unemployment situation is not as strong as it is in the entire State. For example, a 6.2 percent gain in the number of unemployed residents during the first six months of this year relative to a year ago is one of only three such increases in the Commonwealth.

Based on the behavior of the average factory workweek and electricity sales to industry, there does appear to be some life left in the region's manufacturing sector. The workweek, which usually rises before an increase in hiring patterns, advanced a strong 0.5 hour to a seasonally adjusted 38.6 hours. This follows three consecutive quarterly declines. Electricity sales rose 3.5 percent during the quarter, but so far this year, sales are down from 1985.

Construction activity in the region is up based on the value of contracts awarded. A good portion of the increase is probably the result of lower mortgage rates, as residential contract values shot up 33 percent during the first half of this year. Nonresidential values rose a smaller five percent.

Scranton-Wilkes-Barre

The Scranton-Wilkes-Barre regional economy remained on a moderate growth trend during this year's second quarter. This appears to be unable to put a dent in the area's unemployment problem. At a seasonally adjusted nine percent, the jobless rate rose 0.1 percentage point from the first three months of the year. Over the past nine months, the unemployment rate has remained in a narrow 8.6-9.5 percent range.

On the positive side, employment of the metro area's residents, at 314,200 after adjustment for normal seasonal variations, set a new record for the sixth time in seven quarters. This represents a gain of 2,600 from the previous three months.

Through the first six months of 1986, trends in the region's employment/unemployment situation closely mirror those Statewide. Compared to the first half of 1985, employment is up 3.5 percent, the same as in the State. The number of unemployed is down 8.8 percent and the jobless rate dropped 1.1 percentage points. This is nearly identical to the Commonwealth's declines of 9 percent and 1 percentage point.

A major reason for the area's inability to put a significant dent in unemployment can be found in manufacturing. The number of jobs in the region dipped another 300 to a seasonally adjusted 72,500, the fifth drop in six quarters. At 37.5 hours, the average workweek was down 0.4 hour from a year ago. On the plus side, a 5.7 percent increase was recorded in electricity sales to industry, suggesting some improvement in industrial production.

As it did throughout the State, the nonmanufacturing sector drove the region's economy in the second quarter. Jobs in these industries rose 0.6 percent to a record-high 207,100 after seasonal adjustment, the ninth consecutive advance.

Construction activity in the region appears to be on an upward trend based on the value of contracts awarded. The $104.2 million in residential contracts awarded so far this year represents a 17 percent improvement over the same period from a year ago. On the nonresidential side, the $35.5 million in awards is a 21 percent gain over last year.

Scranton-Wilkes-Barre Area[1]

	Ave mo value	Average monthly index seas adj (1977 = 100)		
	2 Q '86	*2 Q '86*	*1 Q '86*	*2 Q '85*
Employment *(in thousands)*				
Employed, no of residents				
Metropolitan area	312.5	111	110	107
Lackawanna County[2]	96.3	107	106	104
Luzerne County[3]	144.6	108	107	104
Unemployed, no of residents				
Metropolitan area	29.9	95	96	108
Rate, seasonally adjusted	9.0			
Lackawanna County[2]	8.5	82	86	94
Luzerne County[3]	15.4	105	103	119
Civilian labor force, no of residents				
Metropolitan area	342.4	109	109	107
Lackawanna County[2]	104.8	105	104	103
Luzerne County[3]	160.1	108	107	106
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no of wage and salary jobs	281.3	107	107	105
Nonmfg only, no. of jobs	208.4	117	116	113
Mfg only, no of jobs	72.9	87	88	88
Hrs worked by production workers in mfg., *ave weekly*	37.5	n.a	n.a	n.a
Industrial electric power sales				
Metropolitan area[4]	•••	108	102	101
Lackawanna County[2]	•••	121	111	106
Luzerne County[3]	•••	95	93	96
Hazleton	•••	87	82	89
Wilkes-Barre	•••	100	102	98

Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-June)	Pct Change From Year-Ago Ytd
Residential contracts only	104.2	+17
Nonresidential contracts only	35.5	+21

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton
[4] Excludes Wyoming County

Williamsport

An increase in the number of employed by a seasonally adjusted 2.2 percent in the second quarter indicates that economic conditions have improved moderately in the Williamsport area. The 52,100 residents counted as employed is a record-high and represents a gain of 3,500 from last year's second quarter.

Second quarter's unemployment rate is 6.9 percent, seasonally adjusted, just slightly lower than the State's 7.2 percent. This represents quite an improvement from a year ago when the jobless rate was 10.3 percent. Additionally, over the first half of the year, the improvement in the employment/unemployment situation in the metro area has been much more pronounced than in the State. Gains in employment and the labor force and the decline in unemployment compared to the first half of last year have been larger than in the Commonwealth.

Establishment-related jobs in the region experienced an overall increase of 1.1 percent durng the April-June period from the first quarter. In the manufacturing sector, the number of jobs increased by a seasonally adjusted 200 from the first three months of the year. This translates into a gain of 1.3 percent and along with the second consecutive quarterly gain in electricy sales to industry, suggests that manufacturing industries in the region are holding their own, albeit at relatively low levels of employment.

Nonmanufacturing job levels have also improved since the

Williamsport Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'86	*2 Q.'86*	*1 Q.'86*	*2 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents	51.6	111	109	104
Unemployed, no. of residents	4.2	86	98	122
Rate, seasonally adjusted	6.9			
Civilian labor force, no. of residents	55.8	109	108	105
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	47.2	102	101	98
Nonmfg. only, no. of jobs	32.1	113	112	108
Mfg. only, no. of jobs	15.1	85	84	81
Industrial electric power sales	•••	88	87	78

Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-June)	Pct Change From Year-Ago Ytd
Residential contracts only	10.1	+33
Nonresidential contracts only	5.2	−76

[1] Lycoming County

first quarter, up 1.3 percent to 31,900 after seasonal adjustment, a record-high. So far this year, sectoral jobs are up 4.7 percent compared to last year, considerably better than the State's 3.7 percent advance.

Signals coming from the region's construction industry are mixed. Residential construction contract values, at $10.1 million during the first half of the year, are up 33 percent from the same period in 1985. On the nonresidential side, however, the $5.2 million in contracts represent a decline of 76 percent from last year.

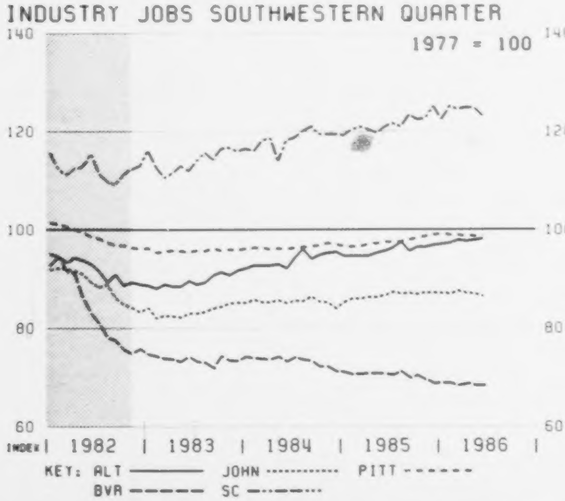
Southwestern Quarter

Altoona

In terms of employment growth, the Altoona region turned in a fairly strong performance during the first six months of 1986. However, in part because of a healthy surge in the labor force, unemployment remains a problem. During the first six months of the year, employment expanded 4.6 percent in the region from the same period last year compared to the State's 3.5 percent. Additionally, the seasonally adjusted 54,000 residents employed during the April-June period represents a new record.

Despite a slight decline of 200 in the second quarter to a seasonally adjusted 5,800, the number of residents counted as unemployed is up 3.3 percent on a year-to-date basis compared to a year ago. Statewide, there was a nine percent fall. However, the inability of the metro area to put a dent in the unemployment problem is due to a strong increase in the labor force, which has grown at an annual rate of 4.4 percent during the first half of the year. The end result of these trends is a jobless rate of 9.6 percent after seasonal adjustment in the second quarter, the third highest among the Commonwealth's 15 metro regions.

In rising from a seasonally adjusted 11,100 to 11,200, manufacturing job levels increased for the second straight quarter. These industries appear to be more successful in holding their own than the State as a whole, though they are far from strong. Through the first six months of this year, job levels in the region are off 0.7 percent from a year ago compared to a 3.8 percent decline in the Commonwealth. Still, job levels are well below those which prevailed before the back-to-back recessions of the early 1980s. Recent behavior in electricity sales to industry, which declined for the fifth straight quarter in the April-June period, offers additional evidence of a fairly sluggish manufacturing sector.



SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

Nonmanufacturing activity in the Altoona region appears to be on the rise. Job levels have increased in each of the past five quarters so that they totalled 38,900 in the second quarter. The increase in jobs so far this year, at 3.8 percent, is essentially identical to the gain in Pennsylvania.

Construction activity in the region through the first half of the year is up due to strength on the nonresidential side where contract values, at $12.8 million, are nearly double their value from last year's first half. The $12 million in residential contracts is unchanged from a year ago.

Johnstown

Economic activity in the Johnstown region remained on hold during the second quarter. The decline in the jobless rate from 12 to 11.4 percent after seasonal adjustment is more the result of a shrinking workforce rather than any significant gain in employment. In fact, resident employment increased by only 100, while the number of unemployed declined by 700 during the second quarter. The end result was a reduction in the workforce totaling 600.

Although the 85,200 residents counted as employed after adjustment for normal seasonal variations is the highest level since 1982, employment was never that low throughout the 1970s. The situation is similar on the unemployment front, where the number of individuals counted as jobless, a seasonally adjusted 10,900, is the lowest so far this decade. However, except for late 1977 and early 1978, unemployment was never than high in the 1970s.

Surprisingly, the region's manufacturing establishments appear to be holding their own relative to the situation throughout the State. So far this year, job levels in these industries have essentially held steady compared to last year,

Altoona Area[1]

	Ave. mo. value 2 Q '86	Average monthly index seas. adj. (1977 = 100) 2 Q '86	1 Q '86	2 Q '85
Employment *(in thousands)*				
Employed, no. of residents	53.8	104	103	99
Unemployed, no. of residents	5.8	142	148	142
Rate, seasonally adjusted	9.6			
Civilian labor force, no. of residents	59.6	106	106	102
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	50.3	98	97	95
Nonmfg. only, no. of jobs	39.1	102	102	99
Mfg. only, no. of jobs	11.2	86	84	85
Industrial electric power sales	***	72	78	82

Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-June)	Pct Change From Year-Ago Ytd
Residential contracts only	12.0	0
Nonresidential contracts only	12.8	94

[1] Blair County

Johnstown Area[1]

	Ave. mo. value 2 Q '86	Average monthly index seas. adj. (1977 = 100) 2 Q '86	1 Q '86	2 Q '85
Employment *(in thousands)*				
Employed, no. of residents	85.1	88	88	86
Unemployed, no. of residents	11.0	102	108	118
Rate, seasonally adjusted	11.4			
Civilian labor force, no. of residents	96.1	90	90	90
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	76.8	87	87	86
Nonmfg. only, no. of jobs	64.4	96	96	95
Mfg. only, no. of jobs	12.5	58	59	58
Industrial electric power sales	***	154	158	146

Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-June)	Pct Change From Year-Ago Ytd
Residential contracts only	27.3	+ 29
Nonresidential contracts only	41.5	+ 108

[1] Cambria and Somerset Counties

while they have declined 3.8 percent across the State. Still, with a decline of 200 after seasonal adjustment to 12,300, job levels in the second quarter are at their second lowest level on record. Furthermore, although they are running ahead of a year ago, electricity sales to industry declined in the second quarter.

Although the bulk of all new jobs generated in the region are originating in the nonmanufacturing sector, sectoral job growth remains lower in the metropolitan area than in the State as a whole. During the second quarter, job levels held steady at a seasonally adjusted 63,900. Through the first half of the year, jobs in these industries have increased at an annual rate of 1.3 percent, well below the Commonwealth's 3.7 percent growth rate.

The only bright spot for the economy this year is construction. Through June, the value of residential construction contract awards are up 29 percent from a year ago to $27.3 million. On the nonresidential side, contract values more than doubled from a year ago to $41.5 million.

Pittsburgh-Beaver Valley

The economy of the Pittsburgh-Beaver Valley region remained in neutral during this year's second quarter as manufacturing continued holding back overall economic growth. Job levels in these establishments in the four-county Pittsburgh region fell another 3.2 percent from the January-March period to a record-low of 132,000 after seasonal adjustment. This is the 17*th* decline in 19 quarters. In Beaver County, manufacturing job levels declined for the eighth straight quarter, to a seasonally adjusted 11,200, also a record-low. Compared to 1979, the last year before the back-to-back recessions of the early 1980s, manufacturing job levels are off more than one-third in the Pittsburgh area and two-thirds in Beaver County. Furthermore, electricity sales to industry, a good barometer of industrial production, continue on a downward trend.

Nonmanufacturing, on the other hand, is expanding. The seasonally adjusted 728,000 positions in the Pittsburgh area during the second quarter represent a gain of 2,000 from the first three months of the year, the 12*th* gain in 13 quarters and a record-high. Jobs in these industries have also been on the rise in Beaver County, increasing in each of the past six quarters. The seasonally adjusted 40,800 jobs in these industries works out to a gain of 200 from the first quarter.

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value 2 Q '86	Average monthly index seas. adj. (1977 = 100) 2 Q '86	1 Q '86	2 Q '85
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	890.4	103	103	100
Beaver County	58.1	68	68	69
Unemployed, no. of residents				
Pittburgh[1]	79.2	125	129	151
Beaver County	8.7	140	156	166
Unemployment Rate, seas. adj.				
Pittsburgh[1]	8.2			
Beaver County	13.5			
Civilian labor force, no. of residents				
Pittsburgh[1]	969.6	105	104	103
Beaver County	66.7	73	74	76
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	863.8	99	99	97
Beaver County	52.7	68	69	71
Nonmfg. only, no. of jobs				
Pittsburgh[1]	730.0	112	112	108
Beaver County	41.3	107	107	103
Mfg. only, no. of jobs				
Pittsburgh[1]	133.1	60	62	64
Beaver County	11.5	30	31	39
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	40.8	n.a.	n.a.	n.a.
Beaver County	41.4	n.a.	n.a.	n.a.
Industrial electric power sales	***	61	62	67

Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-June)	Pct Change From Year-Ago Ytd
Residential contracts only		
Pittsburgh[1]	227.8	+ 18
Beaver County	12.8	+ 5
Nonresidential contracts only		
Pittsburgh[1]	272.6	+ 29
Beaver County	8.2	+ 22

[1] Allegheny, Fayette, Washington and Westmoreland Counties
2Beaver County

Despite a decline in the second quarter, unemployment remains a problem throughout the region. The four-county Pittsburgh region maintained an 8.2 percent seasonally adjusted unemployment rate during the second quarter, down from 8.4 percent in the first three months of the year. The number of residents counted as unemployed dropped 2,600, while employment advanced by 3,900 to 897,300, seasonally adjusted.

Although it declined by 1.3 percentage points, the 13.5 percent jobless rate in Beaver County during the April-June period is still the highest among the State's 15 metro regions. Additionally, a good portion of the decline is the result of a net outflow from the labor force. All told, the number of residents counted as unemployed dropped a seasonally adjusted 1,000, while employment rose by just 200 to 58,100 after adjustment for normal seasonal variations.

Construction activity during the first six months of the year in the region is up relative to a year ago. Contract values have advanced in both the residential and nonresidential sectors.

State College

Although economic activity in the State College region slowed somewhat in the second quarter, the overall trend in the metropolitan area is toward productive growth. The jobless rate in the region, a seasonally adjusted 6.2 percent, represents a decline of 0.2 percentage point from the January-March period and is a full point below the State's 7.2 percent. This follows a decline of 1.5 points in the first quarter.

Resident employment advanced by a slight 300 last quarter to a seasonally adjusted record-high of 53,800. So far this year, employment is up 7.3 percent compared to a year ago, more than double the increase in the Commonwealth. Likewise, the increase in the labor force during the first six months of the year turned out to be far stronger than in the State. This is a positive development in that it suggests that the region's residents are confident about the health of the economy.

Nonagricultural jobs in the area's establishments rose a slight 100 to a seasonally adjusted 50,600. This is a new record and is the sixth consecutive quarterly gain. The nonmanufacturing sector has been leading the way in the economy as of late. The 42,900 jobs in these industries during the second quarter after seasonal adjustment are up by 400 from the first quarter and represent a record high. Through the first six months of this year, sectoral jobs are up 3.8 percent, only slightly higher than the Commonwealth's 3.7 percent gain.

The region's manufacturing sector is certainly not growing, but it is not subracting from economic growth to the same degree that it is in the State as a whole. At a seasonally adjusted 7,700, sectoral jobs dipped 200 from the first quarter. Over the first six months of the year, manufacturing jobs have essentially held steady, while they have declined 3.8 percent across the State. Another positive sign for manufacturing is the second consecutive quarterly gain in electricity sales to industry, a good proxy for industrial production.

Construction activity in the region so far this year is up. However, the $35.3 million in residential construction contracts awarded is only a slight 7 percent improvement from a year ago. Nonresidential construction contracts, at $19.3 million, are up a strong 135 percent.

State College Area[1]

	Ave. mo. value 2 Q.'86	Average monthly index seas. adj. (1977 = 100) 2 Q.'86	1 Q.'86	2 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	53.2	128	128	120
Unemployed, no. of residents	3.6	133	138	158
Rate, seasonally adjusted	6.2			
Civilian labor force, no. of residents	56.8	128	128	122
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	50.4	124	124	120
Nonmfg. only, no. of jobs	42.6	125	124	120
Mfg. only, no. of jobs	7.8	120	124	121
Industrial electric power sales	***	108	105	100
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	35.3	+ 7		
Nonresidential contracts only	19.3	+ 135		

[1] Centre County

Northwestern Quarter

Erie

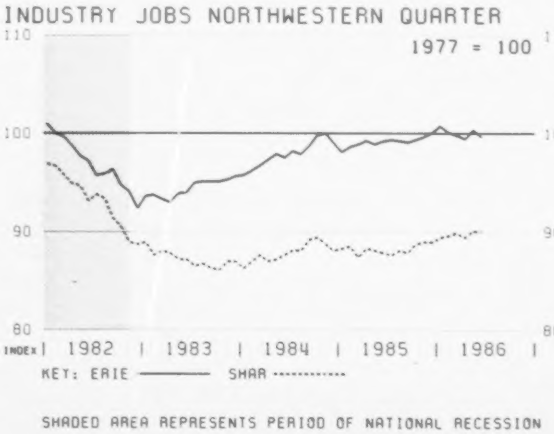
Unemployment remains a serious problem in the Erie regional economy. During the second quarter, the number of residents officially counted as unemployed rose by a seasonally adjusted 1,100 to 11,600. Over the first six months of the year, unemployment is down just 2.5 percent in the region from the same period a year ago compared to a 9 percent Statewide decline. Furthermore, the seasonally adjusted jobless rate of nine percent is the highest since the 9.2 percent from a year ago.

At the same time, growth in employment and the labor force in the region during the first half of the year trails the State as a whole. Employment in the region is up 2.7 percent compared to the first six months of 1985, while the workforce has expanded 2.2 percent. At the State level, the increases work out to 3.5 and 2.4 percent, respectively. The second quarter saw employment dip slightly from the January-March period to 118,100 after seasonal adjustment.

Manufacturing continues to hold the region's economy back. Job levels in these industries declined for the fifth time in six quarters. The 34,100 positions in manufacturing after adjustment for normal seasonal variations represent the third lowest reading since record-keeping began in 1962. A relatively large decline in sales of electricity to industry, a good indicator of industrial production, provides further evidence of the weakness in manufacturing. However, compared to a year ago, electricity sales are up.

In turning in a fifth consecutive quarterly job gain, nonmanufacturing activity remained on the upswing. In fact, the seasonally adjusted 75,900 positions in these industries during the April-June period represent an all-time high . Furthermore, through the first half of the year, nonmanufacturing jobs have increased 4 percent on an annual basis, slightly higher than the State's 3.7 percent advance.

Signals coming from the region's construction industry are mixed. The Erie region is one of only three in the State to fail to realize an increase in residential construction contract values between the first half of 1985 and the same period in 1986. The $27.1 million in contracts is down 3 percent from last year. On the nonresidential side, a 74 percent increase pushed construction contract values to $28.7 million.



Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'86	2 Q.'86	1 Q.'86	2 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	117.2	106	106	104
Unemployed, no. of residents	11.9	127	116	128
Rate, seasonally adjusted	9.0			
Civilian labor force, no. of residents	129.1	108	107	105
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	110.2	100	100	99
Nonmfg. only, no. of jobs	76.0	113	111	108
Mfg. only, no. of jobs	34.2	80	83	84
Industrial electric power sales	***	94	103	93
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	27.1	– 3		
Nonresidential contracts only	28.7	+ 74		

[1] Erie County

Sharon

Economic growth in the Sharon region moved along at a fair pace during the first half of the year, outperforming the State in several categories. Despite these developments, growth in the region has failed to match Statewide trends over the longer run.

Nonmanufacturing industries continue providing nearly all new jobs in the region despite a slight decline during the April-June period. At a seasonally adjusted 30,500, jobs are down 100 from the first quarter. So far this year, job levels are up 3.7 percent from last year's first half, identical to the increase in the State. The growth in the current recovery, however, has not been as strong as in the Commonwealth.

Manufacturing jobs have declined 3.4 percent from the first half of 1985, with nearly all of the shortfall coming in the first quarter. Statewide, a 3.8 percent job loss occurred. Despite an increase of 200 in the second quarter to a seasonally adjusted 10,200, sectoral jobs remain well below prerecession levels.

Second quarter's seasonally adjusted jobless rate of 7.8 percent is the lowest since 1981 and represents a fall of 0.7 percentage point from the previous quarter. The number of residents counted as unemployed dipped to 4,000 after seasonal adjustment, the lowest since 1980. Both measures of joblessness are higher than the levels which prevailed throughout most of the 1970s. Some of the decline in unemployment is surely the result of weak labor force growth. During this year's first half, the workforce expanded by a slight 1.2 percent compared to the State's 2.4 percent gain.

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'86	2 Q.'86	1 Q.'86	2 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	46.3	97	96	93
Unemployed, no. of residents	4.1	100	106	132
Rate, seasonally adjusted	7.8			
Civilian labor force, no. of residents	50.5	97	96	96
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	40.9	90	90	88
Nonmfg. only, no. of jobs	30.8	106	106	102
Mfg. only, no. of jobs	10.2	63	62	64
Industrial electric power sales	***	102	98	105
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	9.9	– 19		
Nonresidential contracts only	15.4	+ 60		

[1] Mercer County

Employment is growing at a strong pace so far this year. During the second quarter, employment reached a seasonally adjusted 46,400, a gain of 1.1 percent from the first quarter. Through six months, employment has expanded 3.9 percent compared to a year ago, slightly higher than the State's 3.5 percent. Again, over the last several years, employment growth in the area has not matched that in the State.

Residential construction contract awards, at $9.9 million for the first six months of the year, are down 19 percent from the year-ago level. Only two other areas, Erie and Altoona, failed to register an increase. On the other hand, the region's 60 percent increase in nonresidential contract values to $15.4 million is in line with the increases in other metro areas.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

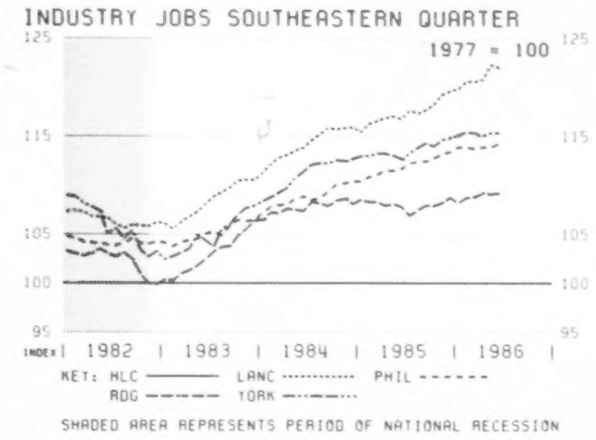
The economy of the Harrisburg-Lebanon-Carlisle region remains on a moderate upswing despite a rise in joblessness during the second quarter. The number of residents counted as unemployed jumped by 1,300 after seasonal adjustment to 16,800. This is, however, well below the level from a year ago. Likewise, the unemployment rate increased by 0.4 percentage point to 5.5 percent, seasonally adjusted. Still, the only region with a lower rate of joblessness among the State's 15 metro areas is Lancaster.

A good deal of the increase in unemployment is the result of healthy growth in the labor force. Through the first six months of the year, the workforce grew at a 3.8 percent annual rate compared to the Commonwealth's 2.4 percent. Furthermore, employment in the region is on the rise, growing by 4.4 percent so far this year, considerably better than the State's 3.5 percent advance. The seasonally adjusted 290,200 residents counted as employed in the second quarter represents an all-time high.

All new jobs in the area are being created in the nonmanufacturing sector where job levels have increased for 14 consecutive quarters. During the April-June period, there were 231,400 positions maintained in these establishments after adjustment for normal seasonal variations, a 0.7 percent gain from the first quarter. So far this year, job levels are up 4.1 percent from the first half of 1985.

Similar to the situation across the State, the metropolitan region's manufacturing establishments are having their share of problems. Jobs in these industries have declined in six of the seven most recent quarters. After seasonal adjustment, the 49,600 manufacturing jobs in the second quarter are down by 1,900 from the January-March period and represent the lowest number of jobs since record-keeping began in 1975.

The region's construction industry has certainly contributed



to overall economic growth through the first half of 1986. At $103.8 million, the value of residential contracts awarded between January and June is up 28 percent from a year ago. Additionally, the $76.8 million in nonresidential construction contracts are up 63 percent from 1985.

Lancaster

Once again, the Lancaster region maintained the lowest unemployment rate among the State's 15 metropolitan regions during the second quarter, a seasonally adjusted 3.8 percent. This is nearly one-half the Commonwealth's 7.2 percent. Although the number of residents counted as unemployed is up 600 in the April-June period to a seasonally adjusted 7,900, there has been a 16.5 percent drop during the first six months of this year compared to 1985.

Another sign of the strong economy in the region is second quarter's seasonally adjusted employment level of 199,400, a record-high. So far this year, employment has advanced 5.2 percent on an annual basis compared to Pennsylvania's 3.5 percent growth rate. Furthermore, the region's labor force expanded a solid 4.1 percent during the first half of the year, a sign that residents are fairly confident about the employment situation.

A major reason for the area's robust growth is found in manufacturing. While most regions throughout the Commonwealth are experiencing significant job losses in these industries, the Lancaster area has realized three consecutive quarterly gains. In fact, sectoral jobs, at a seasonally adjusted 58,600, are at their highest level since 1981. Additionally, the moderate gains in the average factory workweek and electricity sales to industry provide further evidence of manufacturing's relative strength.

Similar to the situation elsewhere in the State, nonmanufacturing activity appears to be on a strong upward trend. Jobs in these industries have increased for 15 straight quarters to stand at a record-high 113,300 in the second quarter. This represents a gain of 1.5 percent from the January-March period.

Given the healthy economy in the region, the strong showing by the construction industry during the first half of the year is not surprising. Residential contract awards, at $124.3 million, are up 42 percent from the first half of 1985. Likewise, nonresidential contract values are up 13 percent to $25.9 million.

Philadelphia

Strength in the nonmanufacturing sector continues fueling economic growth in the Philadelphia region. All told, sectoral job levels have increased in each of the past 18 quarters to settle at a record-high of 1.69 million after seasonal adjustment in the April-June period. So far this year, job levels in these industries are up 3.3 percent from a year-ago, slightly less than the 3.7 percent gain Statewide.

Manufacturing, on the other hand, remains on a downward trend, holding back overall economic growth. The only time when job levels in these industries have been lower than second quarter's seasonally adjusted 392,300 occurred just as the recession was bottoming out in 1983. Through the first half of this year, jobs are down 1 percent from the same period in 1985 compared to the Commonwealth's 3.8 percent fall. Although electricity sales to industry did rise in the second quarter and remain above the level from a year ago, the average factory workweek fell from 40 to 39.9 hours after

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value 2 Q.'86	Average monthly index seas. adj. (1977 = 100) 2 Q.'86	1 Q.'86	2 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	288.8	115	114	111
Unemployed, no. of residents	16.3	109	101	115
Rate, seasonally adjusted	5.5			
Civilian labor force, no. of residents	305.1	115	114	111
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	283.2	114	114	112
Nonmfg. only, no. of jobs	233.2	120	120	116
Mfg. only, no. of jobs	49.7	91	94	96
Hrs. worked by production workers in mfg., *ave. weekly*	39.5	n.a.	n.a.	n.a.
Industrial electric power sales	***	66	66	72
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	103.8	+28		
Nonresidential contracts only	76.8	+63		

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

Lancaster Area[1]

	Ave. mo. value 2 Q.'86	Average monthly index seas. adj. (1977 = 100) 2 Q.'86	1 Q.'86	2 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	198.4	127	125	120
Unemployed, no. of residents	7.6	96	89	117
Rate, seasonally adjusted	3.8			
Civilian labor force, no. of residents	206.1	125	123	120
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	172.8	122	120	117
Nonmfg. only, no. of jobs	114.0	134	132	127
Mfg. only, no. of jobs	58.8	103	103	102
Hrs. worked by production workers in mfg., *ave. weekly*	40.4	102	101	100
Industrial electric power sales	***	127	126	122
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	124.3	+42		
Nonresidential contracts only	25.9	+13		

[1] Lancaster County

Philadelphia Area[1]

	Ave. mo. value 2 Q '86	Average monthly index seas. adj. (1977 = 100) 2 Q '86	 1 Q '86	 2 Q '85
Employment *(in thousands)*				
Employed, no. of residents	2217.4	118	117	114
Unemployed, no. of residents	130.9	72	74	80
Rate, seasonally adjusted	5.5			
Civilian labor force, no. of residents	2348.3	114	113	111
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2091.8	114	114	112
Nonmfg. only, no. of jobs	1696.9	122	122	119
Mfg. only, no. of jobs	393.0	88	89	89
Hrs. worked by production workers in mfg., *ave. weekly*	39.7	100	101	100
Industrial electric power sales	***	104	100	101
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	831.3	+33		
Nonresidential contracts only	597.4	+ 8		

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

Reading Area[1]

	Ave. mo. value 2 Q '86	Average monthly index seas. adj. (1977 = 100) 2 Q '86	 1 Q '86	 2 Q '85
Employment *(in thousands)*				
Employed, no. of residents	156.8	117	116	114
Unemployed, no. of residents	13.2	133	130	140
Rate, seasonally adjusted	7.2			
Civilian labor force, no. of residents	170.0	118	116	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	143.8	109	109	108
Nonmfg. only, no. of jobs	95.8	118	117	113
Mfg. only, no. of jobs	48.0	95	96	100
Hrs. worked by production workers in mfg., *ave. weekly*	40.0	102	102	102
Industrial electric power sales	***	126	125	120
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	67.0	+ 32		
Nonresidential contracts only	49.7	+213		

[1] Berks County

seasonal adjustment, suggesting sluggish hiring trends in the near-term.

The situation on the employment/unemployment front is also improving moderately. Employment of the region's residents stands at a record-high 2.23 million after seasonal adjustment in advancing 0.8 percent from the first quarter. Coupled with a decline of 2.3 percent in the number of unemployed, this helped push down the unemployment rate from 5.6 to 5.5 percent, seasonally adjusted. This is the lowest jobless rate since the mid-1970s and the second lowest among the State's 15 metropolitan areas.

Spurred on by lower mortgage rates, the value of residential construction contracts, at $831.3 million during the first half of the year, are up 33 percent from a year ago. A more moderate gain of 8 percent to $597.4 million was achieved on the nonresidential side.

Reading

Economic trends in the Reading area during the first half of the year have proved to be somewhat sluggish compared to the State as a whole. Employment of the region's residents did, however, rise by 1,500 during the second quarter to a seasonally adjusted 158,500, a new record. During the course of the first six months of the year, employment expanded at a 2.1 percent annual rate, well below the Commonwealth's 3.5 percent.

On the unemployment front, the jobless rate rose a slight 0.1 percentage point to 7.2 percent after seasonal adjustment in April-June period. Likewise, the number of residents counted as unemployed rose by 200 to an adjusted level of 12,100 during the second quarter. During the first half of the year, the Reading area was one of only three metropolitan regions across the State to show an increase (0.8 percent) in the number of unemployed from a year ago.

A good deal of the economy's inability to put a significant dent in unemployment is attributable to continued weakness in manufacturing. All told, jobs in these industries have declined in eight straight quarters. Since record-keeping began in 1962, manufacturing job levels have been lower than second quarter's seasonally adjusted 48,600 in only two periods: 1975 and late 1982-early 1983. On the positive side, industrial power sales did increase for the fourth consecutive time during the second quarter. Furthermore, the average factory workweek turned in its second consecutive increase.

The situation is quite different in nonmanufacturing, where job levels have advanced in each of the past 14 quarters. At a seasonally adjusted record-high of 95,300, the number of nonmanufacturing positions rose 1,000 from the January-March period. Because of the strength in these industries, total establishment-related jobs (manufacturing and nonmanufacturing) have been on an upward trend as of late, settling at a record-high 143,800 after seasonal adjustment in the second quarter.

Construction has been one of the bright spots in the Reading economy so far this year. At $67 million, the value of residential construction contracts awarded during the first six months of 1986 are up nearly one-third from a year-ago. The value of nonresidential contracts more than tripled over the same period to $49.7 million.

York

The York regional economy turned in another solid performance during this year's second quarter, with the only sore spot found in manufacturing. Job levels in this sector declined by 600 to a seasonally adjusted 57,700, the lowest since 1983. So far this year, manufacturing jobs are off 2.3 percent from the first half of 1985. Statewide, a 3.8 percent loss has occurred. Furthermore, the average factory workweek, which normally rises before an increase in hiring trends, fell 0.7 hour in the April-June period to 41 hours after seasonal adjustment. Compared to a year ago, though, the workweek is up. On the positive side, electricity sales to industry, a good barometer of industrial production rose in the second quarter and are also above year ago levels.

Nearly all new jobs in the region are being created in the nonmanufacturing sector, where job levels have increased in each of the past 15 quarters. The 106,000 positions in these industries during the second quarter is a record-high. Through the first six months of the year, sectoral jobs are up 4.5 percent, considerably better than the State's 3.7 percent advance over the same period.

The region's strong showing relative to most other areas around the Commonwealth is also reflected in second quarter's seasonally adjusted 5.5 percent jobless rate. Only the Lancaster region maintained a lower unemployment rate. This is down only slightly from the first quarter's 5.6 percent. An employment gain of 1,100 to a seasonally adjusted record-high of 195,800 contributed to the fall. Given an increase of 1,000 in the labor force, this brought about a decline of 100 in the number of unemployed to a seasonally adjusted 11,400, the lowest level since 1980.

Construction activity in the region appears to be following the upward trend of the overall economy. During the first six months of this year, $75 million in residential construction contracts have been awarded, 33 percent more than a year ago. An even more impressive performance was turned in on the nonresidential side, where contract values are up 112 percent to $47.6 million through six months.

— *William D. Anderson and Lauren Bielski*

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q '86	*2 Q '86*	*1 Q '86*	*2 Q '85*
Employment *(in thousands)*				
Employed, no. of residents	194.1	127	126	122
Unemployed, no. of residents	12.0	114	114	144
Rate, seasonally adjusted	5.5			
Civilian labor force, no. of residents	206.1	126	125	124
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	164.2	115	115	113
Nonmfg. only, no. of jobs	106.7	129	128	123
Mfg. only, no. of jobs	57.5	97	98	99
Hrs. worked by production workers in mfg., *ave. weekly*	41.0	100	101	99
Industrial electric power sales	***	110	109	104
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	75.0	+33		
Nonresidential contracts only	47.6	+112		

[1] Adams and York Counties

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PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University September 1986

CONSTRUCTION DOING ITS FAIR SHARE

The Pennsylvania construction industry has emerged as a leader in the State's economy during the first seven months of the year. However, another strong showing by the industry in July was not enough to enable the overall economy to put a halt to the string of sluggish performances which have been turned in recently.

Through July, the value of construction contracts awarded in Pennsylvania is up 25.8 percent compared to the first seven months of 1985 (see chart). Furthermore, all three construction sectors, residential, nonresidential, and nonbuilding, have realized gains in excess of 20 percent. Construction contracts were valued at a seasonally adjusted $669 million in July, up 21.2 percent from June. Gains were realized in the residential and nonbuilding sectors, while a slight decline occurred in the nonresidential category.

The apparent surge in construction activity has resulted in a considerable increase in jobs, as shown in the accompanying chart. Job levels have been up anywhere from five to ten percent from a year ago each month this year. The 203,100 positions in construction during July after adjustment for normal seasonal variations is the highest since before the back-to-back recessions of the early 1980s.

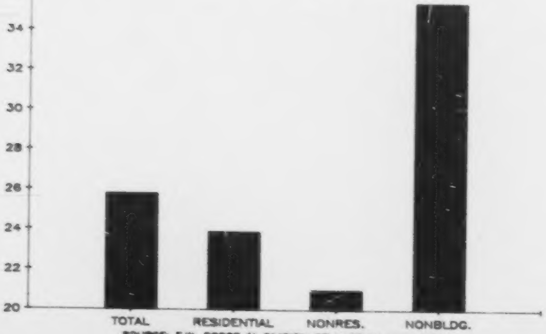
Despite a misleading decline in job levels, the first since January 1985, **it is difficult to detect any weakening in the Commonwealth's nonmanufacturing sector.** All told, the number of jobs in these industries dipped by a seasonally adjusted 6,000 in July to 3.76 million. Much of the decline is attributable to a job loss brought on by a strike involving Philadelphia municipal workers which has since been settled. Furthermore, the industries which have provided the bulk of all new jobs in Pennsylvania as of late, services, trade, finance, and (as mentioned earlier) construction, continued adding employees in July.

On the other hand, it is hard to detect any positive signals coming from the manufacturing sector. Job levels in these industries fell to another record-low in July, a seasonally adjusted 1.05 million. However, the slight decline of 200 from June represents the third consecutive month in which job losses have narrowed. The average factory workweek, which usually rises before any increase in hiring trends, held steady at 40.1 hours after seasonal adjustment. Total hours worked and total payrolls both declined slightly. Activity in the State's steel mills remains sluggish at best. Average daily steel production declined for the second straight month, settling at a seasonally adjusted 27,000 tons, down 1,000 from June.

There are several reasons for manufacturing's difficulties in Pennsylvania and the U.S. Last month's *Survey* touched on one of them, intense foreign competition. Another contributing factor can certainly be traced to the restructuring currently taking place in many of the nation's goods-producing industries. As these firms strive to be more competitive, the end result is often a shift to more capital-intensive production processes requiring less human input. Although definitive conclusions cannot be drawn due to a lack of adequate data, it is fairly safe to say that overall manufacturing output in Pennsylvania has probably held fairly steady as of late. At the least, it is certainly not declining at the same pace as sectoral employment. This contention is backed up by long-run trends in electricity sales to industry, a good proxy for industrial production. While other measures of manufacturing's health have declined considerably, electricity sales have held their own. In fact, they have increased in each of the past four months.

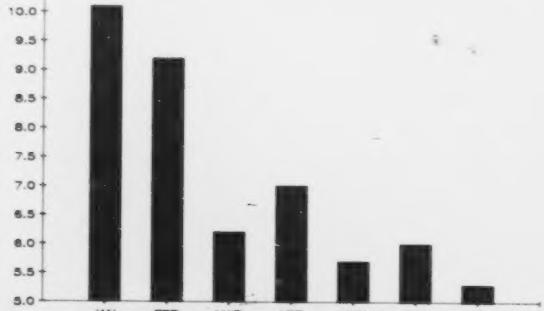
The employment/unemployment situation in the State remains cloudy. At best, employment growth was slug-

GROWTH IN PA CONSTRUCTION CONTRACTS AWARDED, 1986 YTD
(percentage change from year-ago)



SOURCE: F.W. DODGE (A DIVISION OF McGRAW-HILL, INC.)

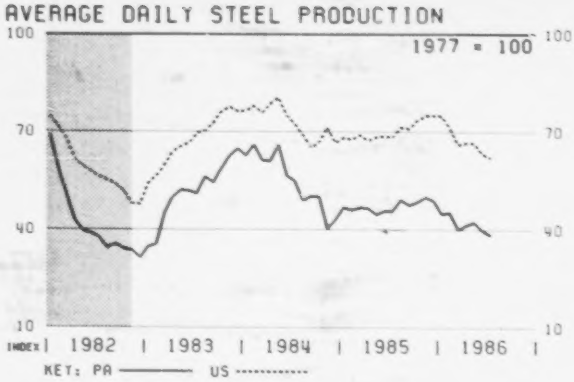
GROWTH IN PA CONSTRUCTION JOB LEVELS, JAN 1986 TO JULY 1986
(percentage change from year-ago month)



SOURCE: PA OFFICE OF EMP. SEC., DEPT. OF LABOR AND INDUSTRY

gish in July. Estimates made by the U.S. Bureau of Labor Statistics show a slight increase of 3,000 after adjustment for normal seasonal variations, the first gain since March. Our estimates suggest that resident employment dropped by another 3,000 to 5.21 million. These relatively small differences are due to sampling error, minor differences in seasonal adjustment techniques, and differences in computer systems. Still, July's employment performance represents some improvement over the fairly large declines of the past few months.

Given the first increase in the labor force since March, **employment's sluggish performance resulted in a slight rise in the number of unemployed and in the jobless rate.** During July, 6.6 percent of the labor force went without a job after seasonal adjustment, up from 6.5 percent in June. Trends in initial claims for unemployment benefits, which usually rise and fail in advance of similar changes in unemployment, show no considerable upward or downward pattern over the past several months.



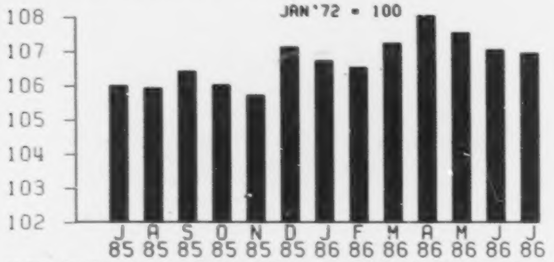
SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

During the first seven months of the year, the improvement in the employment/unemployment picture in Pennsylvania relative to a year ago has been more pronounced than in the nation as a whole. Declines in unemployment and gains in employment and the labor force have been larger in the Commonwealth. However, in June and July, the State

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1986		1985	1986		1985	1986		1985
	June	*July*	*July*	*June*	*July*	*July*	*June*	*July*	*July*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,854*	4,829	4,750	4,808*	4,802	4,737	105.3*	105.2	103.8
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,789*	3,768	3,664	3,761*	3,755	3,651	116.7*	116.5	113.3
Manufacturing									
No. of wage and salary jobs (thous.)	1,059*	1,045	1,085	1,047*	1,046	1,086	78.0*	78.0	80.9
Ave. wkly. hrs. worked by prod. workers	40.3	40.1	39.9	40.1	40.1	40.0	101.6	101.6	101.2
Total wkly. person-hours worked (mils.)	28.9*	28.2	29.3	28.4*	28.3	29.4	74.0*	73.8	76.6
Total wkly. payroll (mil. dols.)	280.0*	274.4	280.9	275.6*	275.2	282.0	122.7*	122.5	125.5
Steel production (thous. tons)	872*	760	907	n.a.	n.a.	n.a.	39.8*	38.4	45.8
Industrial electric power sales (mil. kwh)	3,613	3,568	3,469	3,556	3,597	3,479	96.3	97.4	94.2
Mining									
Anthracite coal (thous. net tons)	297	294	301	287	287	293	58.8	58.8	59.9
Bituminous coal (thous. net tons)	4,653	n.a.	5,023†	4,449	n.a.	4,986†	63.1	n.a.	70.7†
Construction contracts awarded (mil. dols.)									
Total	734.8	797.1	688.7*	551.8	669.0	579.5*	171.5	207.9	180.1*
Residential building	310.9	368.3	329.5*	224.6	292.2	274.1*	159.6	207.6	194.7*
Nonresidential building	229.7	247.6	222.0*	196.2	185.7	165.8*	180.9	171.1	152.8*
Nonbuilding (utilities and public works)	194.3	181.2	137.2*	131.0	191.1	139.6*	180.8	263.7	192.6*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,260	5,366	5,258	5,211	5,208	5,102	108.4	108.4	106.2
Unemployed									
No. of persons (thous.)	417	387	448	370	376	437	92.2	93.7	109.1
Rate (percentage of labor force)	7.3	6.7	7.8						
Rate, seasonally adjusted				6.5	6.6	7.8			
Civilian labor force, no. of persons (thous.)	5,676	5,753	5,706	5,580	5,584	5,540	107.2	107.2	106.4
Initial claims for unemployment benefits	99,708	120,699	137.398	108,506	112,905	124,407	75.8	78.9	86.9

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1986		1985	*Month*	*Year*
	June	*July*	*July*	*Ago*	*Ago*
U.S. city average	327.9	328.0	322.8	+0.0	+1.6
Philadelphia	321.7	323.0	315.5	+0.4	+2.4
Pittsburgh	328.6	n.a.	325.9†	n.a.	+0.8
Northeast PA	n.a.	309.0	306.6	n.a.	+0.8

NOTES: Data on employment, payrolls and hours have been revised to first quarter 1985 benchmarks.
[1] Total includes workers on strike. * = figure revised † = figure for June 1985 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.



PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS

SOURCE: THE PENNSYLVANIA STATE UNIVERSITY COLLEGE OF BUSINESS ADMINISTRATION

appears to have lost its advantage relative to the nation in terms of employment and labor force growth.

The Pennsylvania index of coincident indicators, which moves in step with the economy, turned in its fourth consecutive decline in July, providing further evidence of the general economic weakness. **A third consecutive decline was registered by the index of leading indicators. Although this should not be interpreted as signalling a pending economic downturn, it does imply a period of fairly slow growth in the near-term.**

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
December	107.1	86.6	1.3	1.6
January 1986	106.7	86.7	−0.4	0.1
February	106.5	86.4	−0.2	−0.3
March	107.2	86.8	0.7	0.5
April	108.0	86.6	0.7	−0.2
May	107.5	86.1	−0.5	−0.6
June	107.0	85.5	−0.5	−0.7
July	106.9	85.4	−0.1	−0.1

— *William D. Anderson*

Personal Income Report

Pennsylvania personal income rose at a modest quarterly rate of 1.1 percent during the January-March period to a seasonally adjusted $157.5 billion on an annual basis. This works out to a gain of 3.8 percent from the year-ago period. Personal income is the income received by persons from all sources: from participation in production (wages and salaries); from dividends, interest, and rent; and from transfer payments. The Commonwealth's quarterly gain matched that which occurred in the nation. However, the 4.7 percent annual growth rate in personal income during the second quarter in the U.S. was nearly one full percentage point above the State's.

Pennsylvania's performance in the nonfarm sector relative to the nation was disappointing. Nonfarm personal income grew 1.2 percent on a quarterly basis in the Commonwealth compared to a 1.5 percent national gain. On an annual basis, second quarter's 3.8 percent advance in Pennsylvania falls well short of the nation's five percent rise. A good deal of Pennsylvania's difficulties is attributable to sluggish growth in wage and salary disbursements in the manufacturing sector.

Pennsylvania personal income
(seas. adj. ann. rates; millions of dollars)

	Personal income	Pct. change Qt. ago	Pct. change Yr. ago
1986:IQ	157,539	1.1	3.8
1985:IVQ	155,782	1.2	4.1
1985:IQ	151,768	1.4	6.9

Source: U.S. Dept.of Commerce,
Bur. of Econ. Analysis

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Retail Sales Report

Retail sales in Pennsylvania advanced 4.8 percent on an annual basis during this year's second quarter. The gain pushed retail sales up to $17.1 million for the three-month period and follows a 9.9 percent gain in the first quarter. So far this year, retail sales in the Commonwealth are up 7.1 percent from the first half of 1985. Over the first half of 1986, the growth in retail sales has been stronger in Pennsylvania relative to the nation. Annual growth rates in the U.S. have been 5.2 and 3.8 percent in the first and second quarters, respectively, and 4.5 percent on a year-to-date basis.

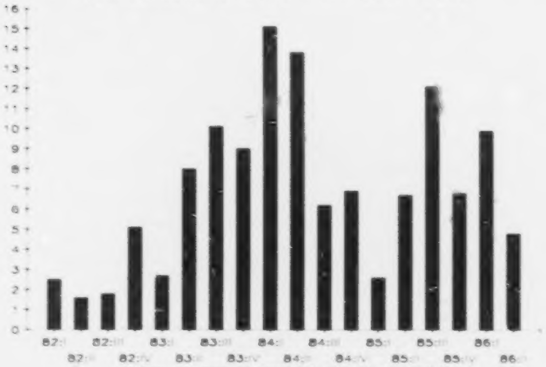
Although the growth in retail sales appears to be slowing from the rapid pace set earlier in the expansion, recent gains have been considerably stronger than those which occurred during the back-to-back recessions of the early 1980s (see chart). The year-to-date advance so far this year is identical to the annual gain in 1985, but falls well short of the increases in 1983 and 1984. On the other hand, this year's advance fares very well when compared to the 2.8 percent gain of 1982.

Pennsylvania retail sales
(millions of dollars)

	Retail sales	Pct. change from yr. ago
1986:IIQ	17,125	4.8
1986:IQ	14,940	9.9
1986 YTD	32,065	7.1

June 1986 data is preliminary.
Source: U.S. Dept. of Commerce,
Bureau of the Census

PENNSYLVANIA RETAIL SALES GROWTH, 1982–1986:IIQ
(percentage change from year-ago)



SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF THE CENSUS

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PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University October 1986

STATE ECONOMY ON SLIGHT UPSWING IN AUGUST

The Pennsylvania economy moved ahead during August as improvements were recorded for nearly all economic indicators. However, **there do not appear to be any signals suggesting that the economy is about to break out of its moderate growth pattern.** Likewise, there is also a lack of signals suggesting that there is a pending slump in economic activity.

So much, though, depends on national trends. If the nation were to slip into a recession, and that is certainly not impossible, than it is pretty safe to say that Pennsylvania will have more than its fair share of problems. In an effort to bolster the U.S. economy, many are calling for stimulative policies abroad. In that these policies would result in an increase in the demand for goods and services on the part of foreigners, it is hoped that the flow of imports into the U.S. would slow as foreign producers attempt to meet their own domestic demand. Furthermore, a portion of the rise in income abroad would probably go towards the purchase of U.S. goods and services. Hence, if these policies are adopted, we would probably see an improvement in the foreign trade situation.

As for the specifics during the month of August, **the economy in the Commonwealth was again led by the nonmanufacturing sector.** Job levels in these industries are at a seasonally adjusted record-high of 3.78 million. Through the first eight months of this year, sectoral job levels are up about 125,000 from a year ago. **Much of the increase is the result of gains in the service-producing industries.** Job levels are up (on an annual basis) by 6,200 in wholesale trade, 38,900 in retail trade, 10,600 in finance, and 60,800 in services.

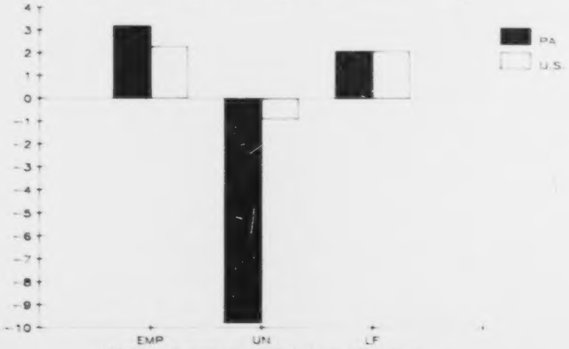
The strength in nonmanufacturing is a natural result of the continuing structural shift in the economy away from the goods-producing industries, towards service-producing activities. **As both Pennsylvania and the U.S. exploit comparative advantages in this area, we will continue realizing the bulk of job gains in the service-producing industries.**

As pointed out in last month's *Survey*, **the construction industry is also making a strong contribution to nonmanufacturing's overall health**. Construction contract awards during August totaled $744 million on a seasonally adjusted basis, up 11.2 percent from July. Gains were recorded in all three categories: residential building, nonresidential building, and nonbuilding. Lower mortgage rates continue fueling the residential sector. However, while analysts feel that activity will remain brisk, many do not expect much *additional* growth from this sector.

Although we are not seeing any growth from the manufacturing sector, we continue receiving signals that these industries are coming close to bottoming out. All told, there were 1.04 million jobs in manufacturing in August after seasonal adjustment, down 7,000 from July. This decline is somewhat overstated as the result of a major strike in the steel industry. Even if these workers are added in, manufacturing job levels are still essentially at an all-time low. The work stoppage also distorts the 21.9 percent fall in average daily steel production and the 8.2 percent decline in industrial electric power sales, a good barometer of industrial production.

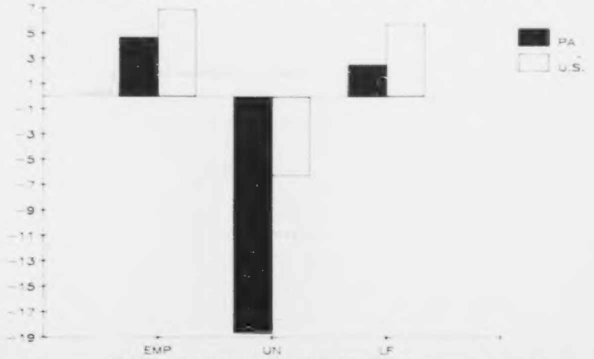
Other indicators suggest a slight improvement in manufacturing's standing. Specifically, gains were realized in the

U.S. AND PA EMPLOYMENT, UNEMPLOYMENT, AND LABOR FORCE GROWTH, 1986 YTD
(percentage change from year-ago)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

U.S. AND PA EMPLOYMENT, UNEMPLOYMENT, AND LABOR FORCE GROWTH, 1986 YTD
(percentage change from 1980–1985 average)



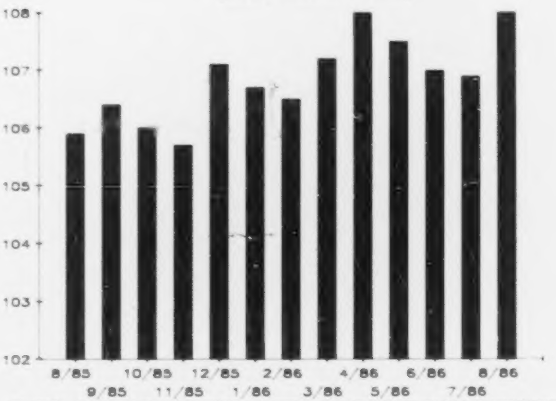
SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

average factory workweek, total hours worked, and total payrolls in Pennsylvania during August.

Inflation jitters, especially in the long-term bond markets, appear to be unfounded based on recent measures of price levels. The GNP price deflator rose at only a 1.8 percent annual rate during the second quarter. Furthermore, the consumer price index for August shows a very mild 1.6 percent gain from a year ago. Through the first eight months of the year, consumer prices are up 2.2 percent compared to a year ago. **It is doubtful that inflation will emerge as a problem while the economy is growing at a lackluster pace.** These moderating price trends are also very evident in the three areas in Pennsylvania for which data are available.

The overall favorable developments in the Commonwealth resulted in some welcome increases in both the coincident and leading economic indexes. The coincident index, which moves positively with current economic trends, advanced by 0.4 percent, the first gain since March. Contributing to the increase was a strong gain in resident employment to a seasonally adjusted 5.27 million from 5.21 million in July. **After a fairly sluggish second quarter, total employment seems to be firming up** as of late. Also making a contribution to the gain in the index was a slight increase in real earnings in the manufacturing sector. The job loss in manufacturing held back the increase somewhat.

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(JAN 1972=100)



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY COLLEGE OF BUSINESS ADMINISTRATION

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1986		1985	1986		1985	1986		1985
	July	*August*	*August*	*July*	*August*	*August*	*July*	*August*	*August*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,826*	4,840	4,758	4,798*	4,823	4,744	105.1	105.6	103.9
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,764*	3,788	3,668	3,752*	3,784	3,664	116.4*	117.4	113.7
Manufacturing									
No. of wage and salary jobs (thous.)	1,045*	1,045	1,087	1,046*	1,039	1,081	77.9*	77.4	80.5
Ave. wkly. hrs. worked by prod. workers	40.0*	40.4	39.8	40.0*	40.6	40.0	101.3*	102.6	101.2
Total wkly. person-hours worked (mils.)	28.2*	28.5	29.3	28.3*	28.5	29.3	73.7*	74.4	76.3
Total wkly. payroll (mil. dols.)	274.0*	276.9	280.0	274.8*	278.0	280.8	122.3*	123.7	125.0
Steel production (thous. tons)	761	581	954	n.a.	n.a.	n.a.	38.4	30.0	49.4
Industrial electric power sales (mil. kwh)	3,568	3,341	3,534	3,597	3,302	3,510	97.4	89.4	95.0
Mining									
Anthracite coal (thous. net tons)	294	325	302	287	280	270	58.8	57.2	55.2
Bituminous coal (thous. net tons)	4,092	n.a.	4,105†	4,647	n.a.	4,701†	65.9	n.a.	66.7†
Construction contracts awarded (mil. dols.)									
Total	797.1	794.2	666.3*	669.0	744.0	627.1*	207.9	231.3	194.9*
Residential building	368.3	404.7	305.6*	292.2	333.4	239.5*	207.6	236.9	170.2*
Nonresidential building	247.6	198.3	282.3*	185.7	199.7	292.5*	171.1	184.0	269.6*
Nonbuilding (utilities and public works)	181.2	191.3	78.4*	191.1	210.9	95.1*	263.7	291.0	131.2*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,366	5,390	5,221	5,208	5,267	5,096	108.4	109.6	106.0
Unemployed									
No. of persons (thous.)	387	364	410	376	380	427	93.7	94.7	106.4
Rate (percentage of labor force)	6.7	6.3	7.3						
Rate, seasonally adjusted				6.6	6.6	7.7			
Civilian labor force, no. of persons (thous.)	5,753	5,754	5,631	5,584	5,647	5,522	107.2	108.5	106.1
Initial claims for unemployment benefits	120,699	82,335	94,431	112,905	104,420	117,027	78.9	72.9	81.7

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1986		1985	*Month*	*Year*
	July	*August*	*August*	*Ago*	*Ago*
U.S. city average	328.0	328.6	323.5	+0.2	+1.6
Philadelphia	323.0	323.1	315.8	+0.0	+2.3
Pittsburgh	n.a.	330.1	325.9	n.a.	+1.3
Northeast PA	309.0	n.a.	306.6†	n.a.	+0.8

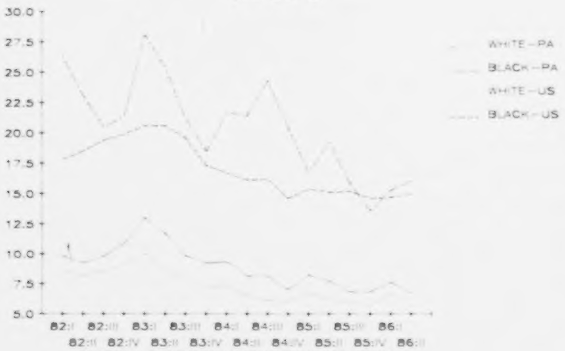
NOTES: Data on employment, payrolls and hours have been revised to first quarter 1985 benchmarks.
[1] Total includes workers on strike. * = figure revised † = figure for July 1985 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

The leading index rose a strong 1.3 percent in August following three months of decline. All three components of the index, the average workweek, residential building contract values, and initial claims for unemployment insurance, contributed to the advance. All three provide some indication of future economic trends.

Despite the fairly sizeable gain in employment, joblessness in the State held steady as the new jobs absorbed an increase in the labor force. The number of residents counted as unemployed rose by 4,000 to a seasonally adjusted 380,000. The jobless rate held steady at 6.6 percent after seasonal adjustment.

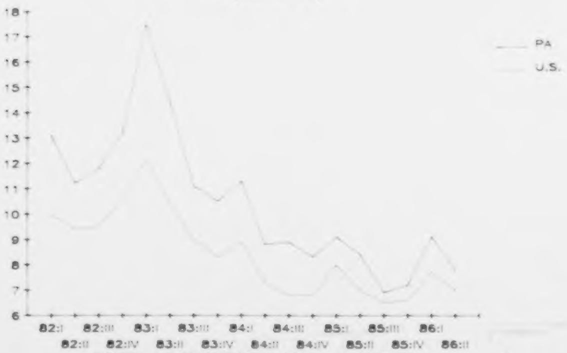
Much is made of Pennsylvania's economic performance relative to that of the nation. As measured by trends in employment, unemployment, and the labor force, **Pennsylvania is more than holding its own with the nation so far this year compared to the first eight months of 1985** (see chart). Specifically, the increase in employment and decline in unemployment is considerably stronger than in the nation, while the rise in the labor force is identical to that in the U.S. On the other hand, **the State's performance over the last several years appears to fall short of the nation's.** Compared to the 1980-1985 average, growth so far this year in employment and the labor force in Pennsylvania trails the nation's. The substantial decline in the number of unemployed in Pennsylvania is somewhat misleading since it is partially the result of the weak labor force growth.

U.S. AND PA UNEMPLOYMENT RATES BY RACE, 1982:IQ–1986:IIQ
(percent)



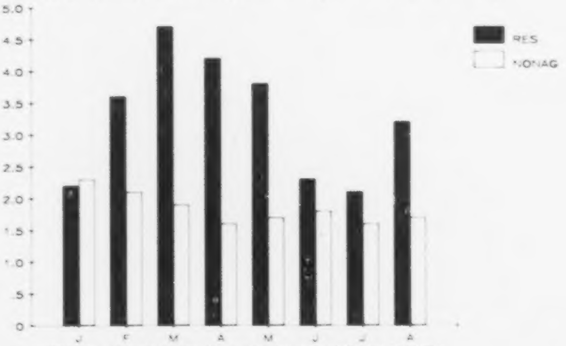
SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

U.S. AND PA MALE UNEMPLOYMENT RATES, 1982:IQ–1986:IIQ
(percent)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

PA RESIDENT EMPLOYMENT AND NONAGRICULTURAL JOB GROWTH, JAN 1986–AUG 1986
(percentage change from year-ago month)



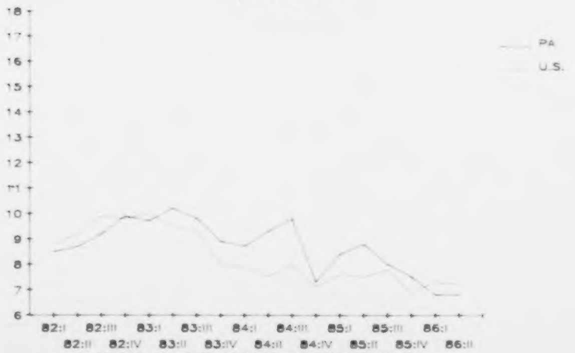
SOURCE: BUR. OF LABOR STATS.; PA DEPT. OF LABOR AND INDUSTRY

There is a great deal of debate concerning how to best measure the growth in employment in Pennsylvania. Some contend that the resident employment series provides the best reflection of overall trends. Others, however, contend that the nonagricultural jobs series presents a more realistic picture. Clearly, when overall trends in employment are desired, one would certainly want to include agricultural workers, the self-employed, and domestic workers, all of which are included in the resident employment figures. On the other hand, from a statistical viewpoint, the nonagricultural data are more reliable due to the large sample size. (About 3,000 households in Pennsylvania are involved in the *Current Population Survey* which derives the resident figures. Nearly 15,000 establishments are surveyed in deriving the nonagricultural data.) Caution should obviously be exercised in discussing *the* rate of job growth.

One need only look at the recent behavior of these two employment measures to see this. As the accompanying chart shows, the growth in resident employment in Pennsylvania has been considerably stronger than the growth in nonagricultural jobs each month this year except January. Additionally, the Commonwealth's standing relative to the U.S. differs depending on which employment measure is used. So far this year, resident employment growth, at 3.2 percent compared to a year ago, compares quite favorably with the nation's 2.3 percent growth rate. The nonagricultural data suggests that job growth in Pennsylvania, at 1.8 percent, falls short of the nation's 2.7 percent advance.

As shown in the accompanying charts, some interesting

U.S. AND PA FEMALE UNEMPLOYMENT RATES, 1982:IQ–1986:IIQ
(percent)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

trends emerge when the unemployment situation is examined according to race and sex. **In both Pennsylvania and the U.S., the unemployment rate among black residents is more than double the jobless rate for whites, and has remained so for the entire period examined (1982: IQ-1986: IIQ).** Furthermore, the rates for both blacks and whites in Pennsylvania have remained consistently above the national averages for nearly the entire period, although the differences are narrowing. **The male unemployment rate, for the most part, has remained above that for females** during the same period in Pennsylvania. Furthermore, the male unemployment rate in the State has remained above the nation's over the entire period. On the female side, the jobless rate in the Commonwealth was less than the nation's for several quarters at the beginning and end of the period, but was higher than the national average in the intervening months.

— *William D. Anderson*

The Center for Regional Business Analysis in Penn State's College of Business Administration is exploring the possibility of sponsoring a conference in early 1987 concerning the economic outlook for Pennsylvania. It is hoped that such a gathering will bring together representatives from government, industry, the academic community, and other interested individuals to share their views on the future of the Commonwealth economy at the University Park campus.

We are currently attempting to gauge the interest in such a gathering. If you are interested and/or if you have suggestions concerning the organization of the conference, please contact the Center at: The Pennsylvania State University, College of Business Administration, Center for Regional Business Analysis, 108 BAB II, University Park, PA 16802; or call (814) 865-7669.

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